JM FINANCIAL

Aditya Birla Capital

A diversified financial play with several growth drivers

Strong parentage and product suite | **Key player in AMC, lending & insurance** | **Initiate with BUY and TP of INR 170**

TABLE OF CONTENTS

Aditya Birla Capital Limited (ABCL) is a diversified financial services company promoted by the Aditya Birla Group (ABG). ABCL operates in 12 lines of business and holds a majority stake in these subsidiaries, which include 1) commercial and retail finance, 2) housing finance, 3) asset management and 4) life and health insurance businesses. ABCL also operates in securities broking, wealth management, private equity and insurance broking.

RECENT INITIATIONS

BANDHAN BANK

RELIANCE NIPPON LIFE ASSET MANAGEMENT

MAGMA FINCORP

GALAXY SURFACTANTS

MID-SIZED PRIVATE BANKS

Aditya Birla Capital

A diversified financial play with several growth drivers

Aditya Birla Capital Limited (ABCL) is a diversified financial company that operates across NBFC, housing finance, asset management, insurance and financial advisory business segments. The strength of the ABCL franchise lies in the following: a) End-to-end product offerings across customers' lifecycles to address their financial, protection and investment needs; this helps customer retention and cross-selling while providing operating leverage. b) Strong parentage has kept cost of funds competitive, while stringent underwriting norms have helped maintain healthy asset quality. c) A rapidly expanding market share, in key segments such as in lending (5th largest in terms of AUM among private NBFC players as of FY18), life insurance (8th largest in terms of APE as of FY18 with a market share of 3.1% among private insurers and 1.6% in the industry) and AMC (3rd largest in terms of AUM as of FY18 with a market share of 10.8%).

With a strong management team under the leadership of Mr Ajay Srinivasan, we expect ABCL to deliver profitable growth across various business segments going forward.

We believe there are multiple growth drivers in place for each segment and we expect market share gains to continue, driven by i) improving geographical presence for its NBFC/HFC businesses, ii) product expansion and increasing penetration in retail/SME (NBFC business), iii) affordable housing/construction finance (HFC business), iv) focus on banca tie-ups and protection (life insurance), v) strong brand positioning and vi) sustained outperformance in equity MF schemes.

AB Finance (ABFL): Fastest-growing multi-product NBFC with a pan-India presence slated to deliver healthy earnings with 2.1%/16% of RoA/RoE by FY20E. We value ABFL at 15x FY20E PE (implied PB of 2.3x FY20E), implying a value of INR 194bn.

AB Housing Finance (ABHFL): Rapidly gaining market share with rising penetration of affordable housing; poised to achieve PAT CAGR of 170% over FY18-20E. We value ABHFL at 2.0x FY20 BV, implying a value of INR 40bn.

Birla Sun Life Insurance (BSL): In FY18, it became the first non-banca player to report positive post-overruns NBV margins of 4.3%. Expected to touch 12% operating RoEV by FY20E. We value BSL at 2.0x FY20EV, implying a value of INR 107bn.

Birla Sun Life AMC (BSL AMC): Market leader in debt MFs (13.5% share) and 3rd largest in equity MFs, well-positioned to clock in a 22%/28% CAGR in overall MF AUM/PAT over FY18-20E. We value BSL AMC at 25x FY20E P/E, implying a value of INR 134bn.

Initiate coverage on ABCL with a BUY rating and SOTP-based TP of INR 170/share: We assign INR 89 per share for AB Finance, INR 31 per share for the 51% stake in the AMC business, INR 25 per share for the 51% stake in life insurance, INR 18 per share for AB Housing Finance and INR 7 per share for other businesses - Aditya Birla Health Insurance, PE Advisors and insurance brokers.

Key risks: Higher-than-expected credit costs, tightening liquidity, interest rate volatility, an increase in tax rate for the life insurance business and sustained weakness in the stock market adversely impacting MF inflows.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	NA
Current Price Target (12M)	170
Upside/(Downside)	20%
Previous Price Target	170
Change	NA

Key Data – ABCAP IN	
Current Market Price	INR143
Market cap (bn)	INR312.3/US$4.6
Free Float	35%
Shares in issue (mn)	2201.1
Diluted share (mn)	
3-mon avg daily val (mn)	INR417.7/US$6.1
52-week range	264/141
Sensex/Nifty	34,663/10,514
INR/US$	68.3

Price Performance

%	1M	6M	12M
Absolute	-8.4	-29.6	0.0
Relative*	-8.1	-32.0	0.0

* To the BSE Sensex

AB Capital – SOTP Valuation

Aditya Birla Capital SOTP	Holding (%)	Valuation Methodology	Value Per Share	Contribution to TP (%)
Aditya Birla Finance	100.0%	15x FY20E P/E	89	52%
Aditya Birla SunLife AMC	51.0%	25x FY20E P/E	31	18%
Aditya Birla SunLife Insurance	51.0%	2x FY20E P/EV	25	15%
Aditya Birla Housing Finance	100.0%	2x FY20E P/B	18	11%
Others (PE, Insurance Brokers, Health Insr., AB Money)			7	4%
Total			170	100%

Source: Company, JM Financial; Valuation as of 25-05-2018

Karan Singh CFA FRM
karan.uberoi@jmfl.com
Tel: (91 22) 6630 3082

Nikhil Walecha
nikhil.walecha@jmfl.com
Tel: (91 22) 6630 3027

Bunny Babjee
bunny.babjee@jmfl.com
Tel: (91 22) 6630 3263

Sameer Bhise
sameer.bhise@jmfl.com
Tel: (91 22) 6630 3489

Jayant Kharote
jayant.kharote@jmfl.com
Tel: (91 22) 6630 3099

S Parameswaran
s.parameswaran@jmfl.com
Tel: (91 22) 6630 3075

Key businesses

Aditya Birla Finance Ltd (ABFL) – Retail expansion to drive profitable growth: This is one of the fastest growing NBFCs in India (40% AUM CAGR over FY13-18) and operates across the country. Product and customer diversification, effective use of technology, focus on cross-selling, and leveraging the parent brand and relationships have been drivers of its strong growth. Going ahead, it plans to increase the proportion of retail while maintaining a diversified portfolio mix. Despite strong loan book growth, ABFL has maintained a pristine asset quality; its credit costs are the lowest among peers. We forecast healthy earnings (30% CAGR over FY18-20E) and expect RoA/RoE to improve to 2.1%/16% in FY20E vs. 1.9%/14% in FY18, driven by robust growth. We value ABFL at 15x FY20E PE (implied P/B of 2.3x FY20E), implying a value of INR 194bn.

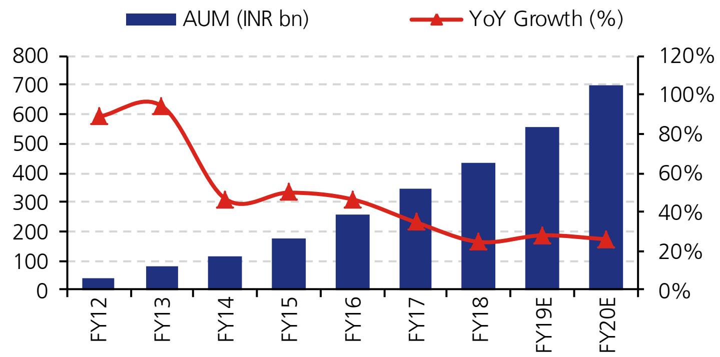
Aditya Birla Housing Finance Ltd (ABHFL) – Increase in affordable housing penetration and focus on balanced product mix to drive profitable growth: ABG's strong franchise and relationships, and access to ABFL's marketing and loans origination teams has enabled ABHFL to rapidly scale up its portfolio (AUM CAGR of 103% over FY16-18 on a low base) and increasing its market share to 0.3% in FY18 from 0.1% in FY16. The company has turned profitable 3.5 years after its inception driven by operational efficiency and focus on cross-selling and direct sourcing. We expect loan book growth to continue at a rapid pace (57% CAGR in AUM over FY18–20E) and market share to increase to 0.6% in FY20E driven by i) branch expansion, ii) balanced product mix, iii) scaling up of affordable housing by tapping into Tier II-IV areas to capitalise on the opportunity provided by government schemes and iv) focus on cross-selling. We forecast earnings CAGR of 170% over FY18-20E due to a low base and expect RoA/RoE to improve to 1.0%/10% in FY20E vs. 0.4%/4% in FY18 driven by a combination of strong growth and operating leverage. We value ABHFL at 2.0x FY20 BV, implying a value of INR 40bn.

Birla Sun Life Insurance – banca tie-ups yielding results: Birla Sun Life (BSL)'s APE posted a 21% CAGR over FY16-18 after declining for 7 consecutive years (FY09-16), led by improvement in agency productivity and an increase in ticket sizes. The insurer became the first non-banca player to report positive post-overrun NBV margins of 4.3% in FY18 vs. negative 5.5% in FY17 driven by, a) scaling up of banca partnerships whose contribution increased to 19% of individual new business in FY18 vs. 10% in FY17, b) share of protection, which jumped 300bps YoY to 5% of individual new business in FY18, and c) 13-month persistency, which improved to 75.2% in FY18 vs 71.4% in FY17. Going forward, we expect APE growth to improve and record a 17% CAGR over FY18-20E, driven by scaling up of banca tie-ups. With focus on protection and non-par products and improvement in operational efficiency, we expect post-overrun margins to reach 9% by FY20E. We forecast ROEV of 12% over FY18-20E. We value BSL at 2.0x FY20EV, implying a value of INR 107bn.

Birla Sun Life AMC - consistently gaining market share: Birla SL AMC has consistently gained market share in MF AUM, especially in equity mutual funds, where its market share has grown from 6% as of FY14 to 9.2% as of FY18. We expect Birla SL AMC's overall MF AUM / PAT to clock a 22%/28% CAGR over FY18-20E. We value BSL AMC at 25x FY20E P/E, implying a value of INR 134bn.

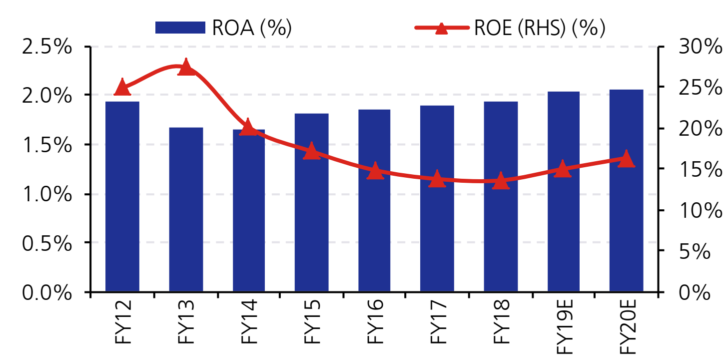
ABCL - Key Charts

Exhibit 1. ABFL: Expect 27% AUM CAGR over FY18-20E



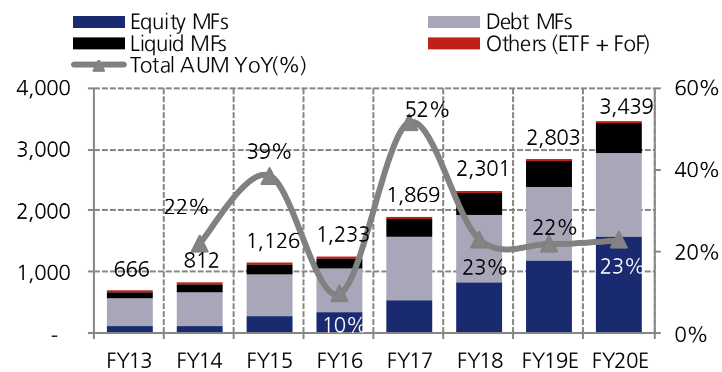
Source: Company, JM Financial

Exhibit 2. ABFL: Return ratios



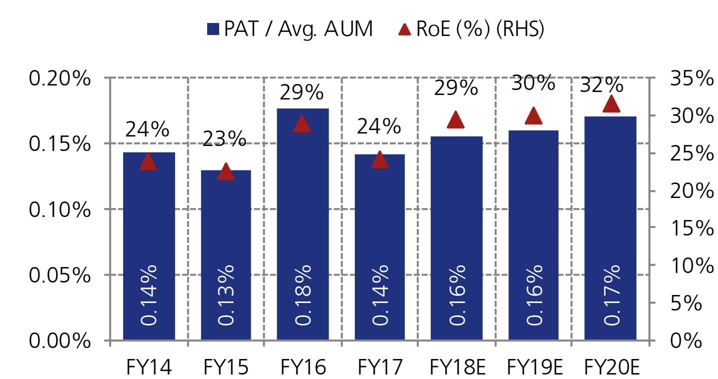
Source: Company, JM Financial

Exhibit 3. ABSL AMC: MF AUM growth



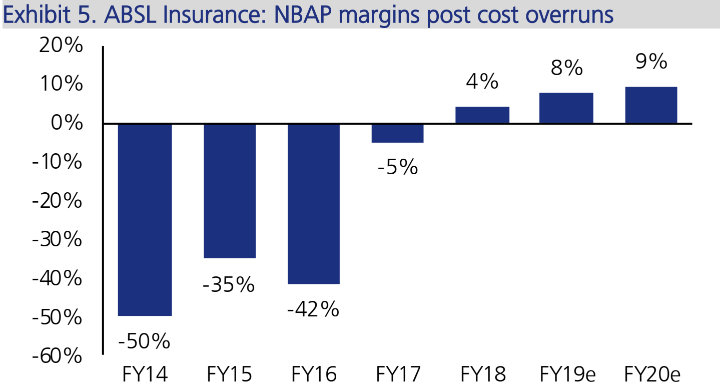
Source: Company, JM Financial

Exhibit 4. ABSL AMC: Profitability and RoEs to improve



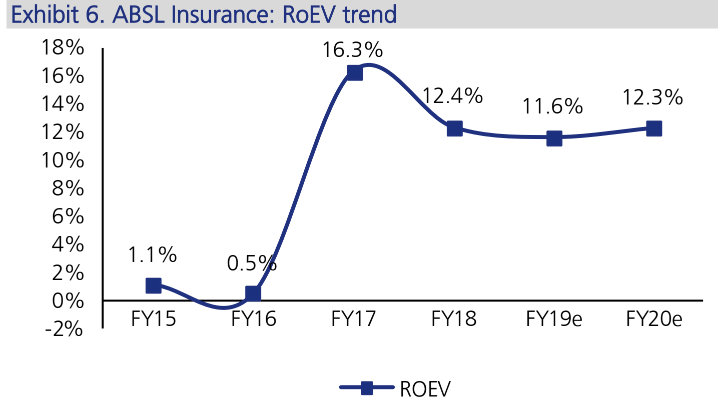
Source: Company, JM Financial

Exhibit 5. ABSL Insurance: NBAP margins post cost overruns



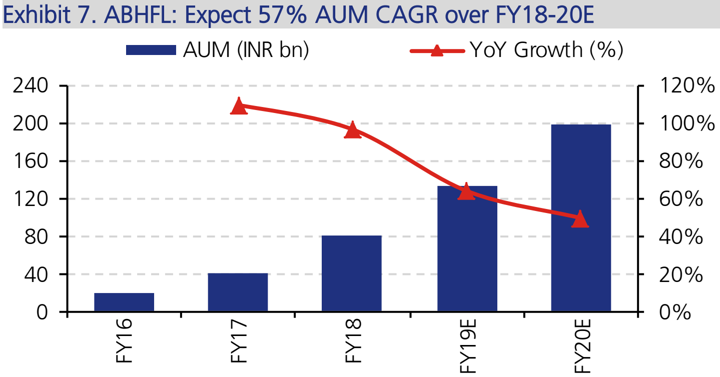
Source: Company, JM Financial

Exhibit 6. ABSL Insurance: RoEV trend



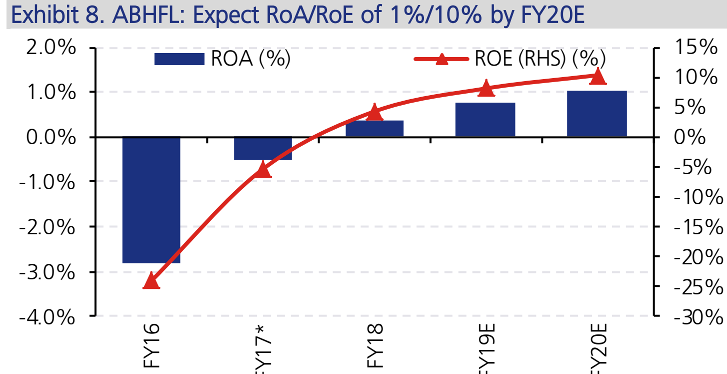
Source: Company, JM Financial

Exhibit 7. ABHFL: Expect 57% AUM CAGR over FY18-20E



Source: Company, JM Financial

Exhibit 8. ABHFL: Expect RoA/RoE of 1%/10% by FY20E



Source: Company, JM Financial

Aditya Birla Capital

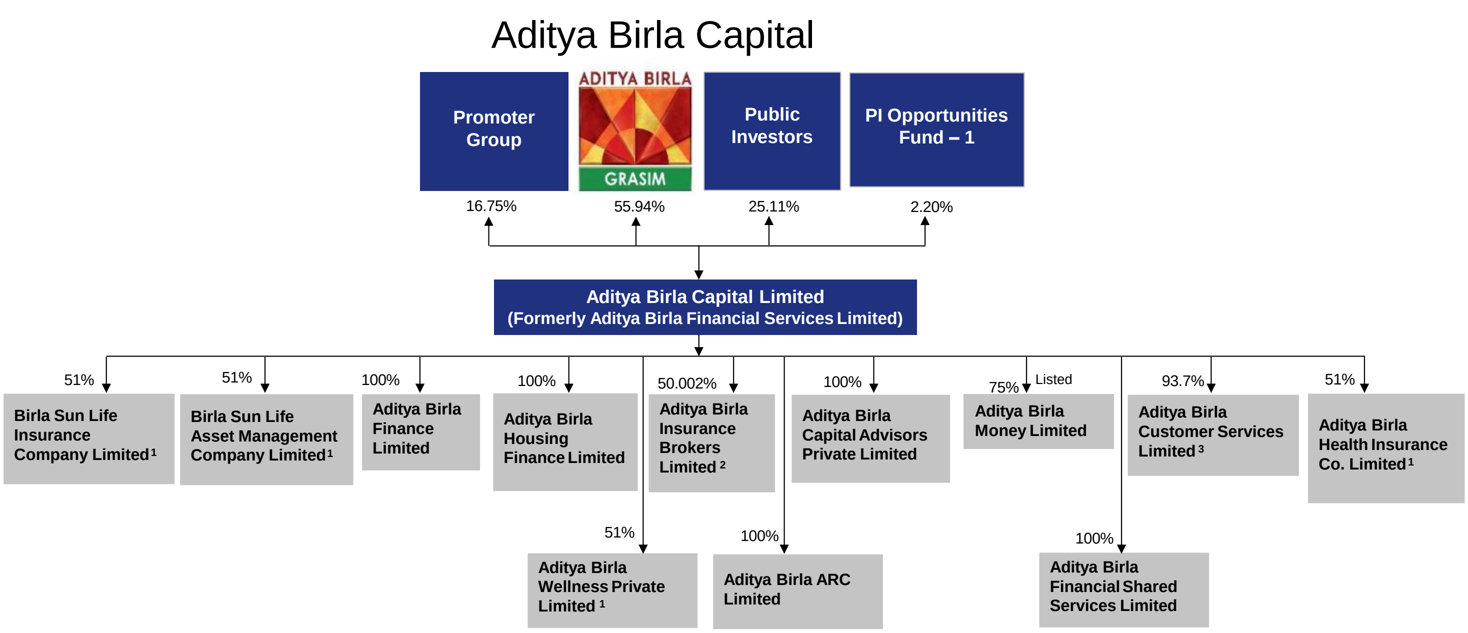
Diversified presence in the financial services space

- ABCL is a part of the Aditya Birla Group (ABG), a USD 43bn Indian multinational corporation. ABCL was a 100% subsidiary of the erstwhile Aditya Birla Nuvo Ltd. (ABNL). After ABNL's merger with Grasim, ABCL was carved out as a separate entity. Grasim, ABG's flagship company, owns ~56% and other promoter group entities own ~17% in ABCL.

  Aditya Birla Capital Limited (ABCL) is a diversified financial company with presence across NBFC, housing finance, asset management, insurance business and financial advisory. ABCL offers an end-to-end product suite across the lifecycle of customers to address their financial needs (home, personal, SME and corporate loans), protection requirements (life, health and motor insurance), and investments (AMC, wealth management, private equity and broking). Apart from this, it provides advisory tools for financial planning and money management. The amalgamation of all financial products and services under a single platform provides convenience to its customers while allowing ABCL to use its presence across multiple product segments to retain its customers and cross-sell its products.

  ABCL operates in 12 lines of business and holds a majority stake in these subsidiaries, which include 1) commercial and retail finance, 2) housing finance, 3) asset management and 4) life and health insurance businesses. ABCL also operates in securities broking, wealth management, private equity and insurance broking. ABCL, through its subsidiaries and joint ventures, has over INR 3trn AUM and a lending book of over INR 510bn as of 31Mar'18. With over 14,500 employees, ABCL has a nationwide reach with 1,600+ points of presence across 400+ cities and more than 190,000 agents/channel partners.

Exhibit 9. ABCL – Company structure



Source: Company, JM Financial

Exhibit 10. Aditya Birla Capital – key financial highlights

	FY16	FY17	FY18	FY19E	FY20E	CAGR/Change (FY16-18)	CAGR/Change (FY18-20)
Aditya Birla Finance							
Networth (INR bn)	35	50	63	73	87	34%	17%
Loan book (INR bn)	249	333	432	553	697	32%	27%
PAT (INR bn)	4.1	5.9	7.7	10.3	13.1	37%	30%
Gross NPL (%)	0.7%	0.5%	1.0%	0.9%	0.9%	0.3%	-0.2%
Net NPL (%)	0.2%	0.2%	0.7%	0.6%	0.5%	0.4%	-0.1%
RoA (%)	1.8%	1.9%	1.9%	2.0%	2.1%	0.1%	0.12%
Leverage (x)	7.5	7.1	7.0	7.7	8.2		
RoE (%)	15%	14%	14%	15%	16%	-1.3%	2.7%
Aditya Birla AMC	FY16	FY17	FY18	FY19E	FY20E	(FY16-18)	(FY18-20)
Networth (INR bn)	8.3	9.9	12.2	15.1	18.8	21%	24%
AUM (INR bn)	1,233	1,869	2,301	2,803	3,439	37%	22%
Equity as % of total AUM	27%	30%	37%	43%	46%	10.0%	9.3%
Cost to Income (%)	58%	66%	62%	61%	58%	4.1%	-4.1%
PAT (INR bn)	2.1	2.2	3.3	4.1	5.4	25%	28%
RoE (%)	28.9%	24.3%	29.4%	30.1%	31.6%	0.6%	2.1%
Aditya Birla Life Insurance	FY16	FY17	FY18	FY19E	FY20E	(FY16-18)	(FY18-20)
APE (INR bn)	8	11	12	14	17	21%	17%
Mkt share - industry (%)	1.6%	1.7%	1.6%	1.7%	1.7%	0.0%	0.0%
Mkt share - pvt (%)	3.4%	3.5%	3.2%	3.2%	3.2%	-0.2%	0.0%
NBV (INR bn)	-3.03	-0.54	0.52	0.99	1.42	NM	65%
NBAP Margins (%)		-5.5%	1.2%	7.8%	9.4%	1.2%	8.2%
Opex ratio (%)	21.9%	19.6%	18.4%	18.0%	17.8%	-3.5%	-0.6%
PAT (INR bn)	1.4	1.2	1.7	1.8	2.0	9%	9%
EV (INR bn)	33	38	43	48	54	14%	12%
Oper. RoEV (%)	0.5%	8.0%	10.7%	11.6%	12.3%	10.2%	1.6%
Aditya Birla Housing Finance	FY16	FY17	FY18	FY19E	FY20E	(FY16-18)	(FY18-20)
Networth (INR bn)	2	4	8	13	20	91%	64%
Loan book (INR bn)	20	41	81	133	200	103%	57%
PAT (INR bn)	-0.3	-0.2	0.2	0.8	1.7	NM	170%
Gross NPL (%)	0.2%	0.3%	0.5%	0.7%	0.8%	0.4%	0.3%
Net NPL (%)	0.0%	0.3%	0.4%	0.5%	0.6%	0.4%	0.1%
RoA (%)	-2.8%	-0.5%	0.4%	0.8%	1.0%	3.2%	0.64%
Leverage (x)	9.8	11.4	10.9	10.1	10.0		
RoE (%)	-24%	-5%	4%	8%	10%	NM	6.1%
Market share	0.1%	0.2%	0.3%	0.4%	0.6%	0.21%	0.28%

Source: Company, JM Financial

Aditya Birla Finance (NBFC)

One of the fastest growing NBFC with AUM of INR 432bn

- Aditya Birla Finance Limited (ABFL) is one of India's fastest growing NBFCs (5-year CAGR of 40% over FY13-18 with AUM of INR 432bn as of Mar'18), offering various products such as LAP, project loans, and working capital loans to customers ranging from retail (11% of AUM as of 4QFY18), to high-net-worth individuals (9%), SMEs (27%), mid-sized corporates (17%) and large corporates (33%). The company operates through a network of 46 branches (as of 3QFY18) across 28 cities in multiple product segments including:

  i) Large corporates (33% of AUM as of Mar'18): ABFL targets high-quality corporates/groups and provides project, structured finance, term and working capital loans, but growth has been selective.

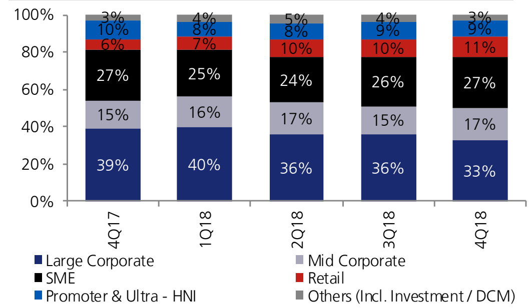
  ii) Mid-sized corporates (17%): It is largely focusing on providing customised solutions and offering term loans, construction and structured finance, and syndication loans. Additionally, it is focusing on SME relationships that are expanding.

  iii) SME (27%): ABFL has been focusing on vendors across the value chain for ABG. It is aiming to penetrate deeper within the Aditya Birla ecosystem via supply chain management, which would provide ample growth opportunities.

  iv) Retail (including HNI, 20%): The company is focusing on digital and unsecured products: small business loans and personal loans, LAP and loans against securities. Additionally, it provides loans against securities and IPO funding to promoters and ultra-HNIs.

AUM of INR 432bn as of Mar'18 present in Corporate (50%), SME (27%) and retail (20%)

ABFL: Product mix



Source: Company, JM Financial

Exhibit 11. Aditya Birla Finance – key financials

Key Financials	FY16	FY17	FY18	FY19E	FY20E	CAGR (16-18)	CAGR (18-20E)
Net profit (INR mn)	4,086	5,853	7,690	10,261	13,080	37.2%	30.4%
Net profit (YoY%)	51%	43%	31%	33%	27%		
AUM (INR mn)	2,57,550	3,47,030	4,32,420	5,53,498	6,97,407	29.6%	27.0%
AUM (YoY%)	46%	35%	25%	28%	26%		
NII/AUM (%)	3.69%	3.65%	3.87%	3.89%	3.93%	0.2%	0.1%
Gross NPL (%)	0.63%	0.47%	0.92%	0.82%	0.78%	0.3%	-0.1%
Net NPL (%)	0.22%	0.21%	0.65%	0.58%	0.53%	0.4%	-0.1%
Coverage (%)	64.5%	55.0%	29.7%	30.0%	33.0%	-34.8%	3.3%
ROA (%)	1.8%	1.9%	1.9%	2.0%	2.1%	0.1%	0.1%
ROE (%)	14.9%	13.8%	13.6%	15.0%	16.3%	-1.3%	2.7%

Source: Company, JM Financial

Retail expansion to drive 27% AUM CAGR over FY18-20E

- ABFL's portfolio has recorded a robust 5-year CAGR (FY13-18) of 40% though expansion in product offerings (Exhibit 14) as well as geographies. The key drivers of its strong growth are:

  i) Product and customer diversification: Robust growth in the SME and unsecured retail lending segment over past 2-3 years, has led to portfolio diversification. As of FY18, large corporates comprised 33% of its AUM while mid-sized corporates (17%), SME (27%), retail (11%), promoters and ultra-HNIs (9%) and others (3%) made up the rest.

  ii) Effective use of technology: ABFL has made significant investments on digital/technology front over the last couple of years, which are expected to yield results.

  iii) Leveraging the strong Aditya Birla brand: The company has leveraged ABG's domain knowledge in appraising loans; this has helped achieve quality growth while maintaining pristine asset quality.

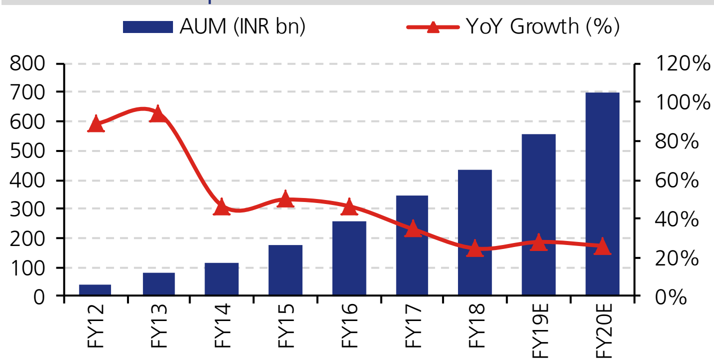
Management expects SME/Retail mix to increase to 50% by FY20E from 38% in FY18

iv) Increased cross-selling opportunities: Presence across multiple product segments makes it convenient for ABFL to cross sell, thus aiding in better operating leverage. This has also helped it drive efficiency gains and lower cost ratios.

v) Higher direct sourcing and superior turnaround time have also supported robust growth.

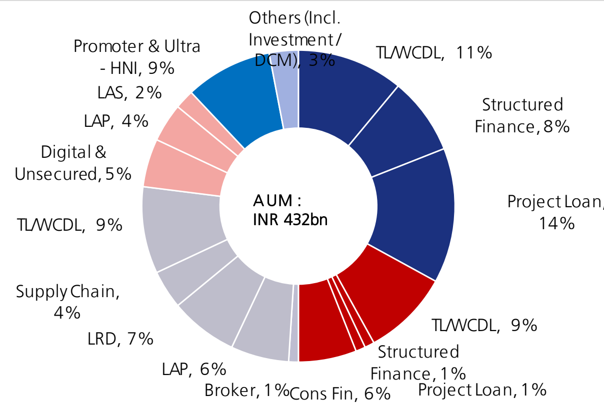
Over the past year, proportion of SME+Retail has increased to 38% (vs. 33% in FY17). Going ahead, the company is looking to increase the proportion of SME+Retail to 50% by FY20E, driven by: i) geographical expansion - increased penetration in Tier 2/3 cities and expanding presence by adding 22 cities to reach 50 cities by July 2018 which will have access to 85% of the SME pool as per management; ii) expansion into new products such as healthcare financing, consumer durables and education loans and iii) digital initiatives to build scale in retail and SME. We forecast 27% CAGR in AUM over FY18-20E.

Exhibit 12. ABFL: Expect 27% AUM CAGR over FY18-20E



Source: Company, JM Financial

Exhibit 13. ABFL: AUM Mix



Source: Company, JM Financial

Exhibit 14. ABFL: Portfolio mix

AB Finance (As of FY18)	Large Corporate	Mid Corporate	SME	Retail	Promoter & Ultra - HNI	Others
% of loan book	33%	17%	27%	11%	9%	3%
Products	- Project Loans (14%) - Structured Finance (8%) - TL/WCDL (11%)	- Construction Fin (6%) - Project Loan (1%) - Structured Finance (1%) - TL/WCDL (9%)	- LAP (6%) - LRD (7%) - Supply Chain (4%) - Broker (1%) - TL/WCDL (9%)	- Digital & Unsecured (4%) - LAP (4%) - LAS (2%)	LAS, IPO Funding	Investment /DCM
Yields	11-12%		11.5-11.75%			
Average Loan size (INR mn)	750 mn	150-200	40-50	- ATS: INR 2mn - Digital: INR 0.2-0.3 mn - Unsecured: INR 1.2-1.5 mn LAP: INR 7mn		
Major states (Overall)			- Present in 39 locations - Intends to increase branch count to 72 by July 2018			
Others	- Large corporate comprises lenders with a turnover of more than INR 25bn - 95% of the project loans are operating projects; for balance 5% it has recourse from the promoters - Not doing greenfield projects - Major exposure in Infrastructure (~INR 110bn); - Transportation and logistics (20%); renewable (16%), manufacturing (10%) - Secured book with no concentrated exposure	- Mid corporate comprises lenders with a turnover of more than INR 5bn and less than INR 25bn. - Exited Gems & Jewellery in 2012 - Stayed away from Gold and MFI	- SME comprises lenders with a turnover of more than INR 5bn and less than INR 2.5bn. - Started in 2012 - Dealing with customers who are suppliers in group eco-system - Expect the proportion of SME + Retail to increase to 50%	- Digital loans comprise unsecured business loans for SME and personal loans - To focus on niche segments such as doctor space equipment, education and healthcare and consumer durables - No intention to start vehicle financing		

Source: Company, JM Financial

Exhibit 15. ABFL: Products

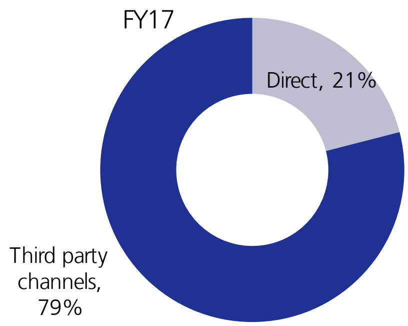
In the Past		FY12 - 13				FY14 - 17		Planned Foray
Margin Trade Funding	PO Funding	Supply Chain Finance	Loan against Property	Lease Rental Discount	Com. Property purchase	Personal Loans	Wealth Management	Healthcare Financing
								Consumer Durables Financing
Promoter Funding	Loan against shares	SME Lending	Project & Structured Finance	DCM	Builder Finance	Digital Lending	Unsecured Business Loans	Education Loans

Source: Company, JM Financial

Geographical mix – largely concentrated in the West

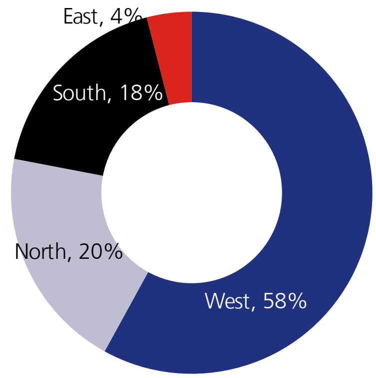
- Currently, 21% of the loans are sourced directly. Going forward, ABFL is looking to increase the proportion of direct sourcing. ABFL's book is concentrated most in the West (58%), followed by the North (20%), South (18%) and East (4%).

Exhibit 16. ABFL: Sourcing Mix (%) – FY17



Source: Company, JM Financial

Exhibit 17. ABFL: Geographical distribution – FY17



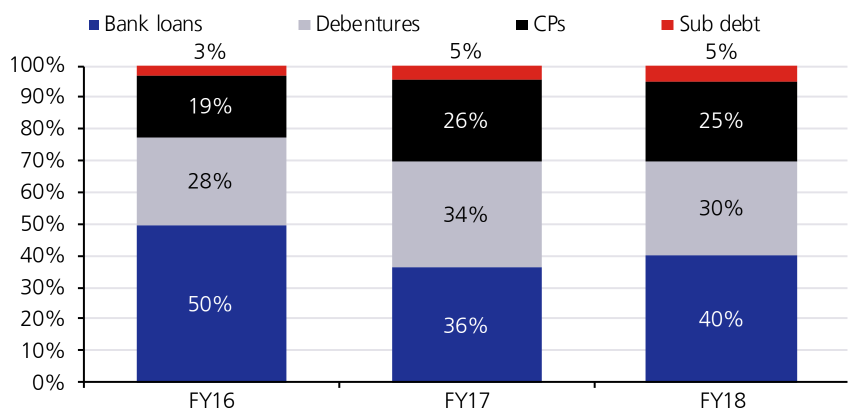
Source: Company, JM Financial

Bank loans dominate the borrowing mix

Proportion of Commercial Paper has gone up by 6pps up over the past 2 years

- ABFL has a well-diversified borrowing mix spread across NCDs (30% of total borrowing as of FY18), bank loans (40%), CPs (25%) and sub-ordinate debt (5%). Over the past 2 years, the proportion of CPs has gone up to 25% (vs. 19% in FY16) while the share of bank loans has reduced to 40% (vs. 50% in FY16).

Exhibit 18. ABFL: Borrowing mix dominated by bank term loans



Source: Company, JM Financial

A1+ rating for short-term debt & AA+ rating for long-term debt

- ABFL's credit rating stood at A1+ rating (CARE, CRISIL) for short-term debt and AA+ rating (CARE, ICRA) for long-term debt.

Exhibit 19. ABFL: Rating summary

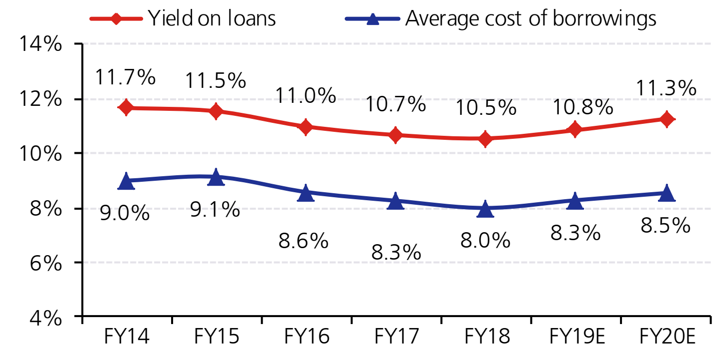
Instrument	Rating
Short-term debt	A1+ (CARE, CRISIL)
Long-term debt	AA+ (CARE, ICRA); AAA (India Ratings)

Source: Company, JM Financial

Funding cost has declined by 114bps over the past 3 years

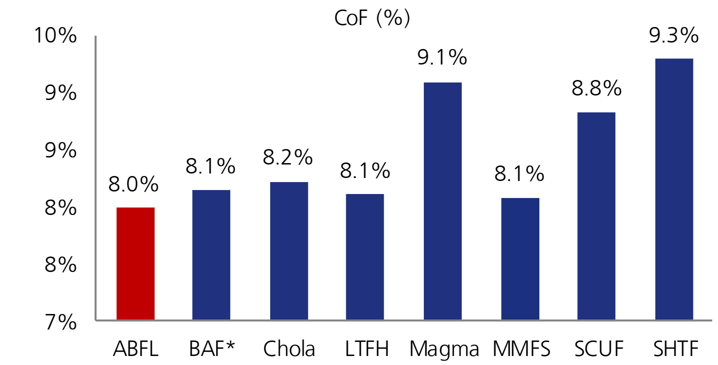
- ABFL's funding costs have declined 114bps over FY15-18 to 8.0% as of FY18. This is amongst the lowest compared with peers, driven by superior credit ratings, strong parentage and higher proportion of short-term CP funding. With rising bond yields, we expect some pressure on funding costs. Consequently, we expect the cost of funds to increase 55bps over FY18-20E.

Exhibit 20. ABFL: Trend in yields and cost of borrowings



Source: Company, JM Financial

Exhibit 21. Funding cost comparison with peers (FY18)



Source: Company, JM Financial

Stable margin trend

- Margins have remained stable at 3.8% over FY16-18

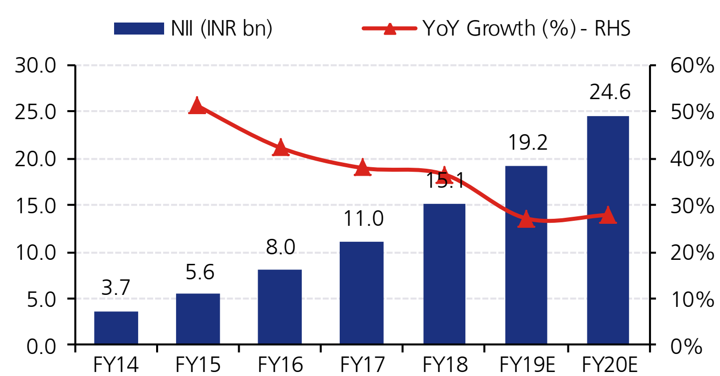
Expect margins to remain stable over FY18-20E

ABFL's yields have declined over the years from 12.2% in FY14 to 10.5% in FY18, owing to the rising share of LAP in its overall portfolio. Consequently, ABFL's margins (NII/AUM) have remained stable at 3.8% over FY16-18, driven by a 58bps improvement in funding costs over the same period. Consequently, NII posted a 37% CAGR over FY16-18.

- Margins to remain stable over FY18-20E

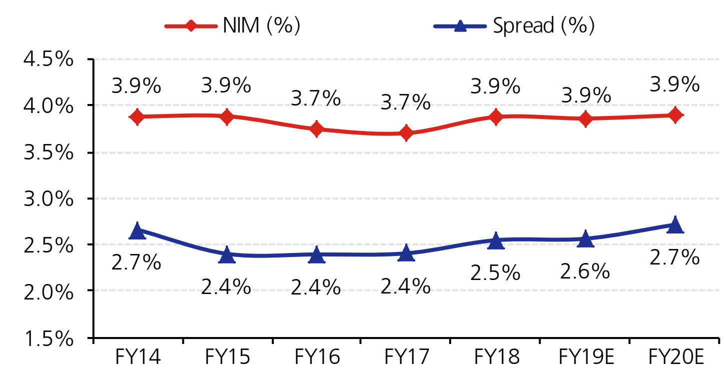
We expect yields to improve 70bps over FY18-20E, driven by increasing share of the retail segment and rising interest rates. However with rising bond yields, we expect cost of funds to increase by 55bps by FY20E. Consequently, we expect margins (NII/AUM) to remain stable at 3.9% over FY18-20E and expect NII CAGR of 27% over FY18-20E.

Exhibit 22. ABFL: NII CAGR of 27% over FY18-20E



Source: Company, JM Financial

Exhibit 23. ABFL: Expect margins to remain stable over FY18-20E



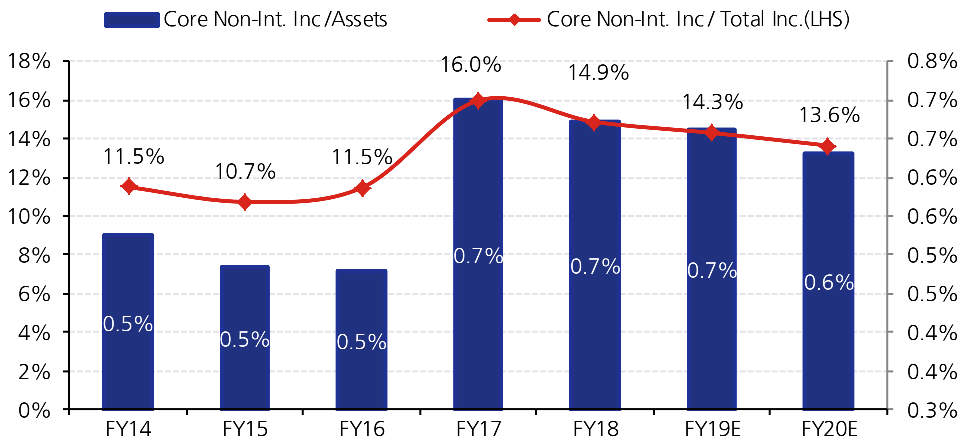
Source: Company, JM Financial

Robust fee income trend

- Fee income has posted a 60% CAGR over FY16-18; expect 23% CAGR over FY18-20E

ABFL's fee income has grown at a healthy rate, recording a CAGR of 60% over FY16-18, driven by healthy traction in both corporate and retail fees with retail having higher proportion. Further, the share of fee income as a % of total income has increased to 15% (vs. 11.5% in FY16), while fee income as a % of total assets has also increased to 0.67% (vs. 0.47% in FY16). We expect fee income to post a 23% CAGR over FY18-20E, in line with loan growth.

Exhibit 24. ABFL: non-core income trend



Source: Company, JM Financial

Cost-to-assets to remain stable over FY18-20E

- Cost-to-asset has remained stable since FY16

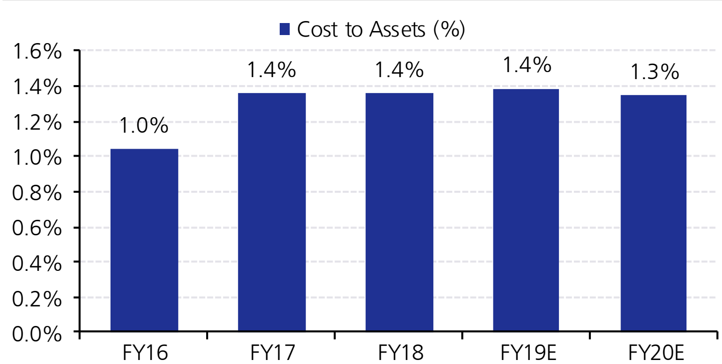
Despite expanding into retail, ABFL's cost assets (C-A) has remained stable at 1.35-1.4% since FY16. We forecast C-A ratio to remain stable at 1.35% over FY18-20E.

Exhibit 25. Cost to income ratio – FY17

Cost to income (%)	ABFL	MMFS	LTFH	BAF	Chola
Employee	18.5%	20.1%	12.5%	15.1%	16.6%
Depreciation and Amortisation	1.1%	1.4%	1.7%	1.2%	1.6%
Rent	1.4%	2.0%	1.0%	0.5%	1.5%
General expenses	3.0%	2.2%	3.0%	1.7%	4.2%
Legal and Professional	1.7%	2.8%	5.0%	0.0%	1.1%
Advertisement	0.3%	0.0%	0.5%	1.1%	0.3%
Loan Acquisition	0.0%	0.0%	0.0%	0.0%	0.0%
Commission and Brokerage	3.0%	6.6%	1.4%	13.4%	5.2%
Other	2.0%	7.8%	7.3%	8.6%	11.2%
Total	**31.0%**	**42.9%**	**32.4%**	**41.4%**	**41.7%**

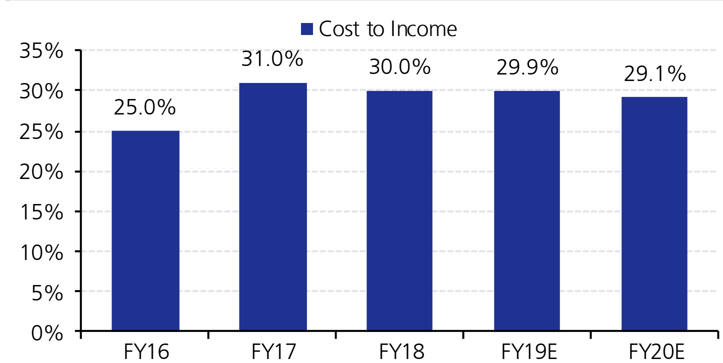
Source: Company, JM Financial

Exhibit 26. ABFL: Trend in Cost to assets (%)



Source: Company, JM Financial

Exhibit 27. ABFL: Trend in cost to income (%)



Source: Company, JM Financial

Stable asset quality trends despite migrating to 90DPD

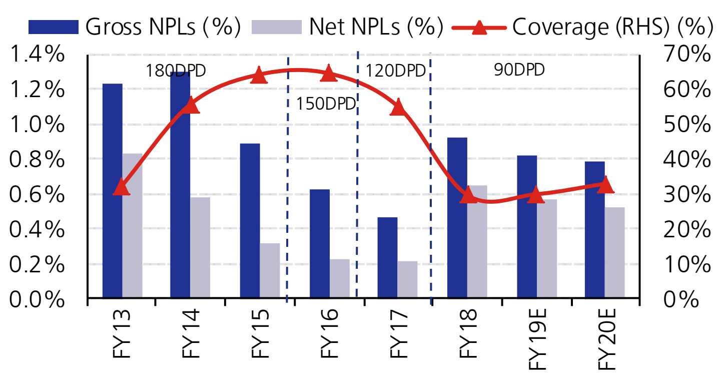
- **GNPAs have remained stable at 0.9% over FY15-18 despite migrating to 90DPD**

Despite migrating from 180DPD to 90DPD over FY15-18, ABFL's GNPAs have remained stable at 0.92% in FY18 (compared with 0.89% on 180DPD in FY15). However, its provision coverage declined to 30% in FY18 (64% on 180DPD in FY15). ABFL has strong focus on risk management given that: i) it only lends to entities with strong promoter backing, and operating projects (95% of the project loans are operating) or close to operating projects in the infra space; ii) it does not finance greenfield projects in thermal power, or other long-gestation projects (except renewable energy); iii) it largely does cash flow-based lending and property/real estate acts as secondary collateral; iv) it leverages the domain knowledge of ABG in loan appraisals, which has led to quality growth and lower borrowing costs; v) 85% of its portfolio is secured as of FY18, which provides comfort;. Given its strong risk management capabilities, ABFL's corporate book had no restructured or NPLs account as of FY18.

- **Expect asset quality trends to remain stable; factoring 20bps credit costs over the next 2 years:** Given the strong risk management, we expect asset quality trends to remain stable going forward. We expect gross NPLs to remain stable at 0.8% by FY20E (vs. 0.9% in FY18) with coverage ratio to increase to 33% by FY20E (from 30% in FY18). We factor credit costs of 31bps (vs. 26bps in FY18) over FY18-20E.

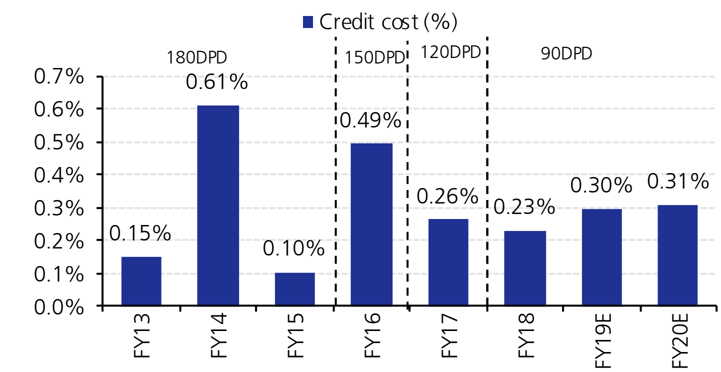
GNPL is stable at 0.8% despite migration to 90DPD; Corporate book has no restructured or NPL account

Exhibit 28. ABFL: Trend in NPAs



Source: Company, JM Financial

Exhibit 29. ABFL: Trend in Credit cost (as % of total assets)



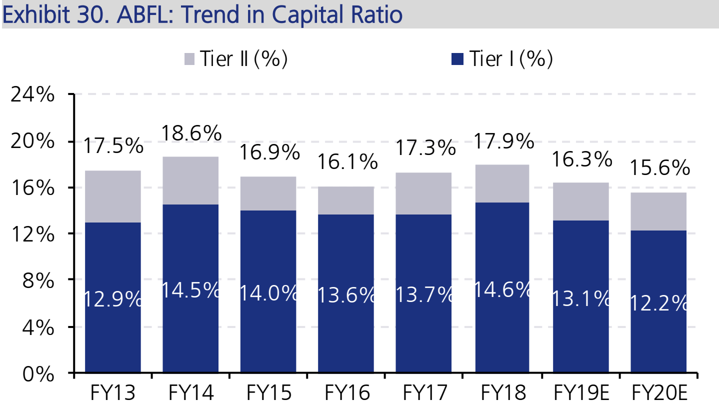
Source: Company, JM Financial

Healthy Capital ratio

- **Tier-I of 14.6% as of FY18**

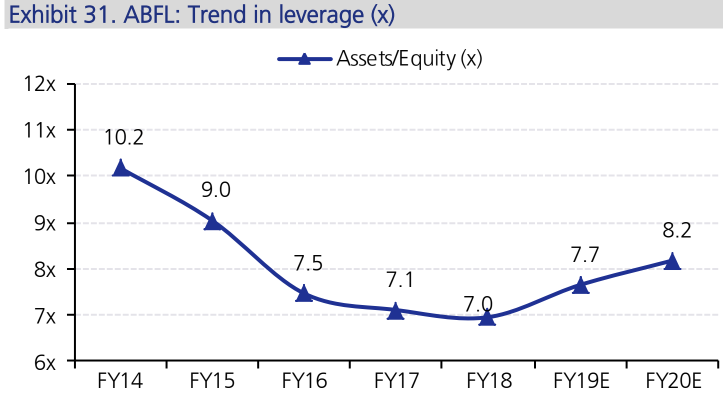
ABFL has maintained a comfortable capitalisation profile with a Tier I of 14.6% (and CAR of 17.9% as of FY18) on the back of fresh equity infusion of around INR 20bn received from its parent over FY16-18.

Exhibit 30. ABFL: Trend in Capital Ratio



Source: Company, JM Financial

Exhibit 31. ABFL: Trend in leverage (x)

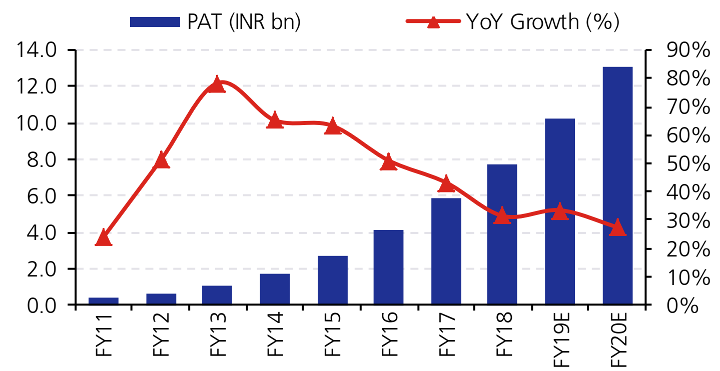


Source: Company, JM Financial

Expect earnings CAGR of 30% over FY18-20E driven by robust loan growth

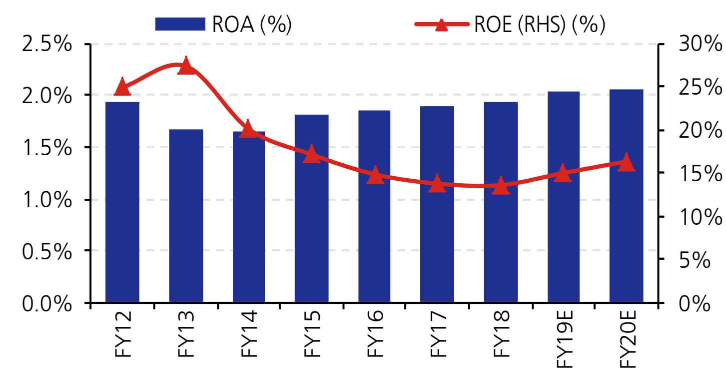
- We forecast net profit to post 30% CAGR over FY18-20E and expect RoA/RoE to improve to 2%/16% by FY20E (vs. 1.9%/14% in FY18) driven by strong growth and stable asset quality trends.

Exhibit 32. ABFL profitability – Expect 30% CAGR over FY18-20E



Source: Company, JM Financial

Exhibit 33. ABFL: Return ratios



Source: Company, JM Financial

Peer valuation

Exhibit 34. Peer Valuation

	RoA			RoE			P/E			P/B			PAT CAGR
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18-20E
ABFL*	1.9%	2.0%	2.1%	13.6%	15.0%	16.3%	25.5	19.1	15.0	3.1	2.7	2.3	30%
BAF	3.6%	3.6%	3.5%	20.5%	20.1%	22.1%	44.9	32.8	24.6	7.3	6.0	5.0	35%
Chola	2.8%	2.9%	2.9%	20.6%	22.2%	22.6%	24.1	18.4	14.6	4.6	3.7	3.0	28%
LTFH	1.8%	2.0%	2.2%	14.3%	15.2%	17.4%	22.2	16.0	12.2	2.6	2.3	2.0	35%
Magma	1.7%	2.0%	2.2%	10.3%	10.9%	11.4%	19.1	17.0	13.5	1.9	1.6	1.5	27%
MMFS	1.8%	2.4%	2.5%	11.3%	14.9%	16.8%	31.8	19.4	15.5	3.1	2.8	2.5	43%
SHTF	1.9%	2.5%	2.7%	13.1%	18.0%	19.9%	21.3	13.7	10.5	2.7	2.3	1.9	42%

Source: Company, JM Financial

Financial Tables - AB Finance (ABFL)

Income Statement					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Interest Income (NII)	8,002	11,044	15,090	19,193	24,556
Non Interest Income	1,211	2,452	2,870	4,019	4,806
Total Income	9,213	13,496	17,960	23,212	29,362
Operating Expenses	2,305	4,187	5,390	6,946	8,558
Pre-provisioning Profits	6,908	9,308	12,570	16,266	20,804
Loan-Loss Provisions	760	854	610	975	1,354
Others Provisions	-115	135	870	484	576
Total Provisions	645	989	1,480	1,459	1,929
PBT	6,264	8,319	11,090	14,807	18,874
Tax	2,178	2,467	3,400	4,546	5,794
PAT (Pre-Extra ordinaries)	4,086	5,853	7,690	10,261	13,080
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	4,086	5,853	7,690	10,261	13,080
Dividend	10	10	0	0	0
Retained Profits	4,076	5,843	7,690	10,261	13,080

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Equity Capital	5,596	6,274	6,691	6,691	6,691
Reserves & Surplus	29,512	43,539	56,519	66,780	79,860
Stock option outstanding	1,548	1,597	1,676	1,844	2,028
Borrowed Funds	2,14,090	2,89,132	3,60,320	4,78,505	6,08,898
Deferred tax liabilities	0	0	0	0	0
Preference Shares	1,850	100	0	0	0
Current Liabilities & Provisions	9,643	13,557	14,433	8,434	10,618
Total Liabilities	2,62,239	3,54,199	4,39,639	5,62,254	7,07,856
Net Advances	2,49,382	3,32,513	4,32,420	5,53,498	6,97,407
Investments	4,926	8,601	2,162	2,767	3,487
Cash & Bank Balances	11	1,357	1,730	1,937	2,232
Loans and Advances	0	0	0	0	0
Other Current Assets	6,721	9,993	1,622	1,884	2,014
Fixed Assets	206	566	703	898	1,131
Miscellaneous Expenditure	245	401	50	50	50
Deferred Tax Assets	748	768	953	1,219	1,535
Total Assets	2,62,239	3,54,199	4,39,639	5,62,254	7,07,856

Source: Company, JM Financial

Key Ratios					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Growth (YoY) (%)					
Borrowed funds	46.7%	35.1%	24.6%	32.8%	27.2%
Advances	45.8%	33.3%	30.0%	28.0%	26.0%
Total Assets	46.0%	35.1%	24.1%	27.9%	25.9%
NII	42.4%	38.0%	36.6%	27.2%	27.9%
Non-interest Income	8.1%	102.5%	17.0%	40.0%	19.6%
Operating Expenses	15.6%	81.7%	28.7%	28.9%	23.2%
Operating Profits	45.5%	34.7%	35.0%	29.4%	27.9%
Core Operating profit	55.2%	33.4%	37.3%	25.8%	28.5%
Provisions	0.9%	53.4%	49.6%	-1.4%	32.2%
Reported PAT	51.0%	43.2%	31.4%	33.4%	27.5%
Yields / Margins (%)					
Interest Spread	2.40%	2.41%	2.55%	2.56%	2.71%
NIM	3.75%	3.70%	3.88%	3.86%	3.89%
Profitability (%)					
ROA	1.85%	1.90%	1.94%	2.05%	2.06%
ROE	14.9%	13.8%	13.6%	15.0%	16.3%
Cost to Income	25.0%	31.0%	30.0%	29.9%	29.1%
Asset quality (%)					
Gross NPA	0.63%	0.47%	0.92%	0.82%	0.78%
LLP	0.49%	0.26%	0.23%	0.30%	0.31%
Capital Adequacy (%)					
Tier I	13.64%	13.69%	14.62%	13.07%	12.23%
CAR	16.14%	17.33%	17.90%	16.35%	15.61%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
NII / Assets	3.62%	3.58%	3.80%	3.83%	3.87%
Other Income / Assets	0.55%	0.80%	0.72%	0.80%	0.76%
Total Income / Assets	4.17%	4.38%	4.52%	4.63%	4.62%
Cost / Assets	1.04%	1.36%	1.36%	1.39%	1.35%
PPP / Assets	3.13%	3.02%	3.17%	3.25%	3.28%
Provisions / Assets	0.29%	0.32%	0.37%	0.29%	0.30%
PBT / Assets	2.84%	2.70%	2.79%	2.96%	2.97%
Tax rate	34.77%	29.65%	30.66%	30.70%	30.70%
ROA	1.85%	1.90%	1.94%	2.05%	2.06%
Leverage	8.0	7.3	7.0	7.3	7.9
ROE	14.9%	13.8%	13.6%	15.0%	16.3%

Source: Company, JM Financial

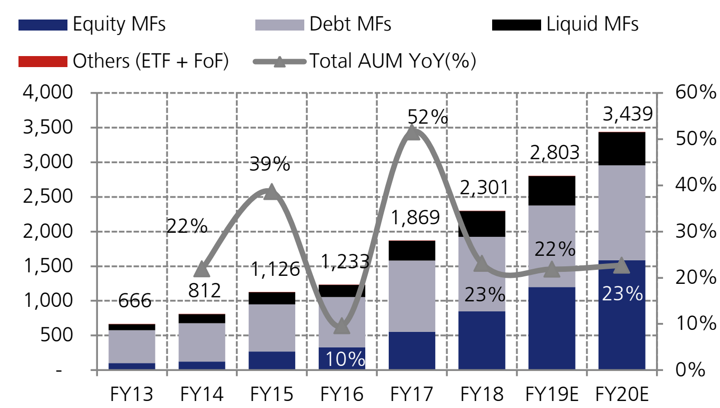
Valuations					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Shares in Issue	559.6	627.4	669.1	669.1	669.1
EPS (INR)	7.3	9.3	11.5	15.3	19.4
EPS (YoY) (%)	21.5%	27.7%	23.2%	32.9%	26.9%
BV (INR)	63	79	94	110	129
BV (YoY) (%)	42%	27%	19%	16%	18%

Source: Company, JM Financial

Birla Sun Life AMC - consistently gaining market share

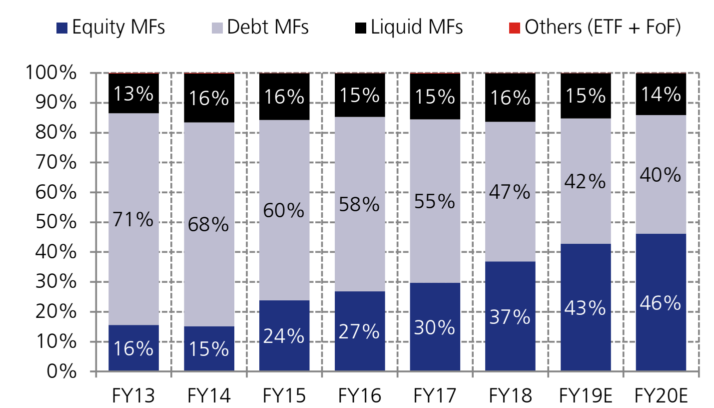
- Birla Sun Life AMC has recorded consistent growth over FY13-18, with a CAGR of 28%, compared with the industry CAGR of 25% over the same period. With continued industry tailwinds and consistent gains in market share, especially in equity mutual funds, the proportion of equity MFs in its AUM mix has risen from 16% in FY13 to 37% in FY18. We expect Birla SL AMC's MF AUM to clock a 22% CAGR over FY18-20E, with the proportion of equity MFs in the mix rising to 46%.

Exhibit 35. Birla SL AMC: MF AUM growth



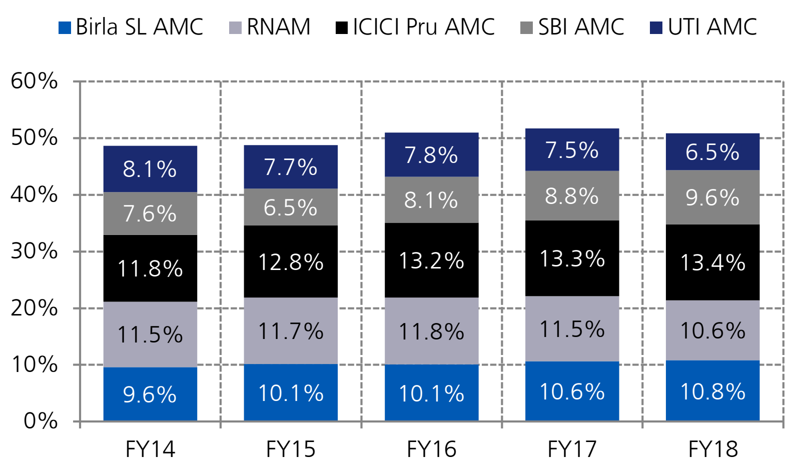
Source: Company, JM Financial

Exhibit 36. Birla SL AMC : Equity MF contribution to increase in mix



Source: Company, JM Financial

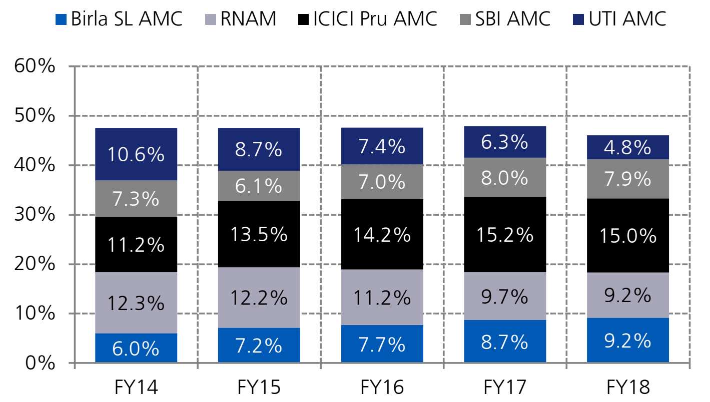
Exhibit 37. Birla SL AMC : Market share in overall MF AUM has increased



Source: JM Financial # Calculated on the basis of monthly average AUM

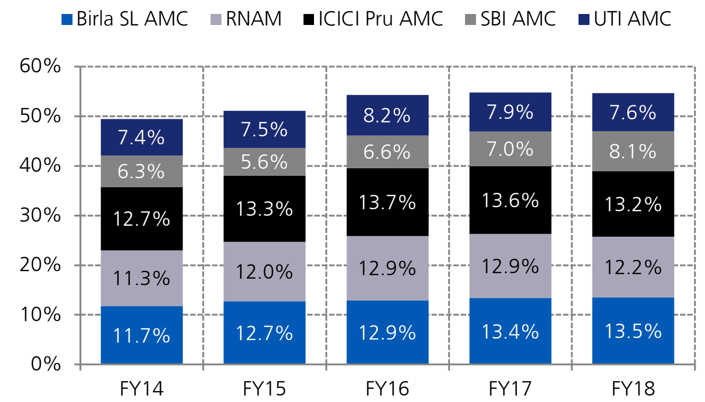
- Birla SL AMC's market share in overall MF AUMs has expanded from 9.6% in FY14 to 10.8% in FY18. It is the market leader in debt mutual funds, with a market share of 13.5%. In equity mutual funds, Birla SL AMC is the 3rd largest in terms of market share. Market share in equity MFs has improved drastically from 6% in FY14 to 9.2% in FY18. We expect market share for Birla SL AMC to continue to improve to 9.4% by FY20E in equity MFs, driven by improving geographical presence (present in 226 locations), strong brand positioning and continued outperformance in equity MF schemes. We expect debt market share to remain steady over FY18-20E.

Exhibit 38. Birla SL AMC's equity MF mkt. share continues to improve



Source: Company, JM Financial #Calculated on the basis of monthly avg. AUM; Equity MF AUM includes ELSS, Balanced schemes

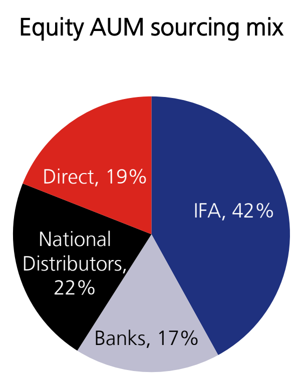
Exhibit 39. Birla SL AMC is now the market leader in Debt MFs



Source: Company, JM Financial #Calculated on the basis of monthly avg. AUM; Debt MF AUM includes Infra debt funds and Gilt schemes, excludes liquid schemes

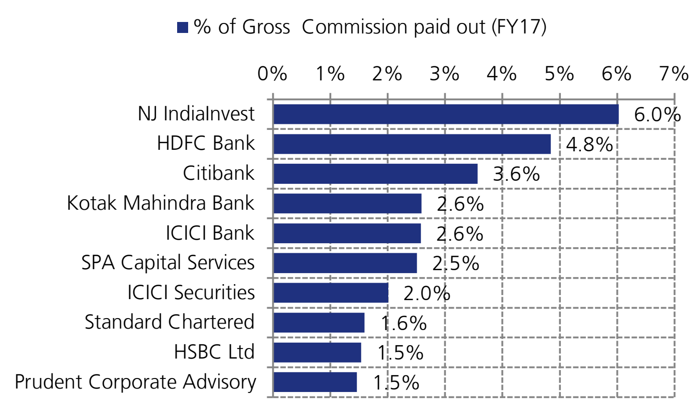
- Birla SL AMC has a diversified distribution mix, with IFAs contributing 42% to the overall equity MF AUM. Birla SL AMC is present in 226 locations across the country and is not overly reliant on any single distributor. As shown in exhibit 42 below, the top 10 distributors accounted for 29% of Birla SL AMC's gross commission payout of INR 7.3bn in FY17, with the single largest distributor NJ IndiaInvest bagging 6% of the payout. Moreover, the fact that Birla SL AMC's equity AUM growth has outpaced industry growth (as evident from its increasing market share) is remarkable considering the fact that it does not have any banking parent/relative, which puts it at a natural disadvantage in terms of distributive outreach.

Exhibit 40. Birla SL AMC : Diversified distribution, IFAs contribute most



Source: Company, JM Financial

Exhibit 41. Birla SL AMC : Not over dependent on any single distributor

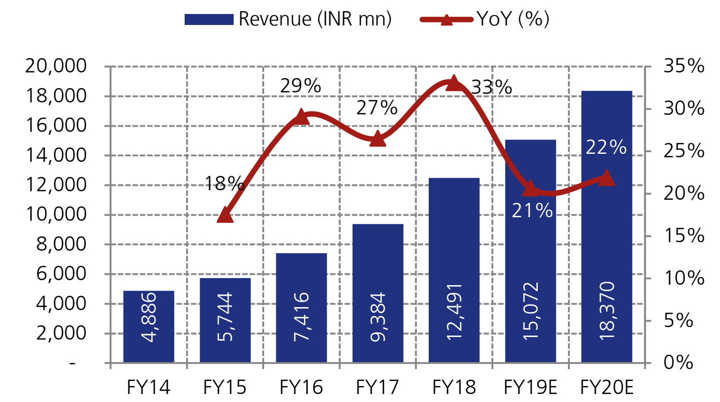


Source: Company, JM Financial

- While MF AUMs have been growing at a strong pace for Birla SL AMC, with AUM mix improving in favour of equity MFs, profitability (as measured by PAT/ Avg. AUM) has not expanded meaningfully. PAT/Avg AUM for FY18 was at 16bps for Birla SL AMC despite closing with 37% equity MFs in its AUM mix. This is because upfront commissions paid out to distributors is fully booked in the AMC P&L by Birla SL AMC: it does not amortise these expenses as is the case with some other AMCs. These upfront commissions are a spill-over after accounting for the trail distribution expenses in the respective MF schemes. Going forward, reduction in upfront commission payout provides the AMC with an operating leverage to improve profitability and this could result in an upside risk to our estimates.

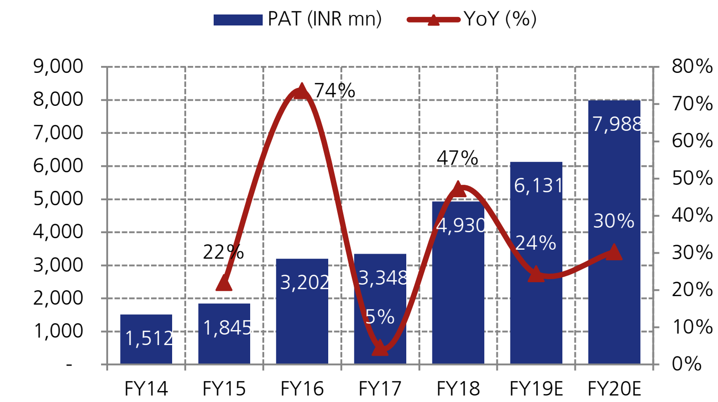
- While we expect revenue yields to reduce across the industry as a result of the 20bps TER cut notified by SEBI, we expect PAT yields (PAT /Avg AUM) for Birla SL AMC to expand marginally to 17bps by FY20E as it utilises its operating leverage to reduce its commission payouts (Dupont Analysis in exhibit 45 below).

Exhibit 42. Birla SL AMC : Revenue growth



Source: Company, JM Financial

Exhibit 43. Birla SL AMC : PAT growth



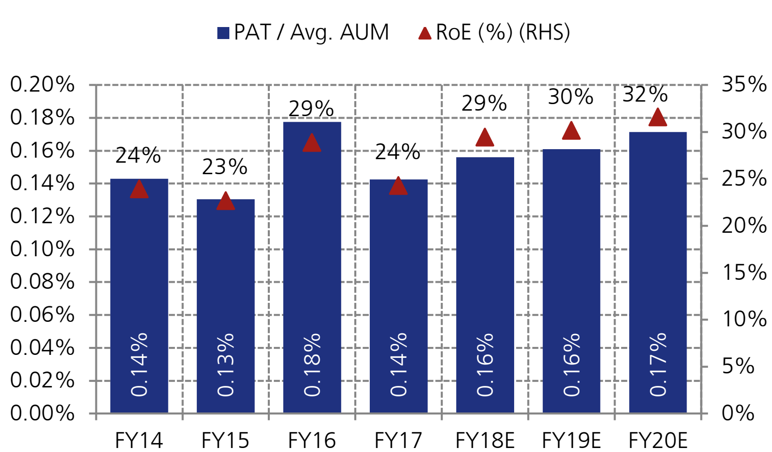
Source: Company, JM Financial

Exhibit 44. Birla SL AMC : Dupont Analysis

As a % of Avg AUM	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Core Revenues / Avg. AUM	0.66%	0.59%	0.63%	0.60%	0.60%	0.59%	0.59%
Other Revenues / Avg. AUM	0.03%	0.04%	0.01%	0.03%	0.02%	0.02%	0.02%
Total Revenues / Avg. AUM	0.70%	0.63%	0.64%	0.64%	0.62%	0.61%	0.60%
Employee cost / Avg. AUM	0.15%	0.14%	0.14%	0.12%	0.10%	0.10%	0.10%
Brokerage / Avg. AUM	0.24%	0.21%	0.14%	0.19%	0.18%	0.16%	0.15%
Operating cost / Avg. AUM	0.49%	0.44%	0.37%	0.42%	0.38%	0.37%	0.35%
PBT / Avg. AUM	0.20%	0.19%	0.27%	0.22%	0.24%	0.24%	0.26%
PAT / Avg. AUM	**0.14%**	**0.13%**	**0.18%**	**0.14%**	**0.16%**	**0.16%**	**0.17%**
As a % of Balance sheet assets	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Core Revenues / Avg. Assets	88.9%	85.9%	86.1%	84.1%	90.9%	90.5%	90.0%
Other Revenues / Avg. Assets	4.6%	5.4%	1.7%	4.5%	3.0%	2.7%	2.5%
Total Revenues / Avg. Assets	93.5%	91.4%	87.8%	88.6%	93.9%	93.2%	92.5%
Employee cost / Avg. Assets	20.0%	20.4%	18.6%	16.3%	15.9%	16.0%	15.2%
Brokerage / Avg. Assets	0.0%	0.3%	1.9%	4.7%	5.0%	5.1%	5.0%
Operating cost / Avg. Assets	66.0%	63.8%	50.7%	58.6%	58.0%	56.4%	53.3%
PBT / Avg. Assets	27.5%	27.6%	37.2%	30.0%	35.9%	36.8%	39.1%
RoA (%)	**19.2%**	**18.9%**	**24.3%**	**19.8%**	**23.7%**	**24.7%**	**26.2%**
Avg Assets/Equity (x)	1.2	1.2	1.2	1.2	1.2	1.2	1.2
RoE (%) (RHS)	**23.9%**	**22.7%**	**28.9%**	**24.3%**	**29.4%**	**30.1%**	**31.6%**

Source: Company, JM Financial

Exhibit 45. Birla SL AMC : Profitability and RoEs to improve



Source: Company, JM Financial

Birla Sun Life AMC – Fund performance

As shown in exhibit 47 below, most of Birla SL AMC's flagship equity MF schemes have beaten the relevant benchmarks over a 3-5 year period.

Exhibit 46. Birla SL AMC : Fund performance vs relevant benchmarks

Birla Sun Life AMC - Equity MF performance	AUM (Avg for Mar-18) (INR mn)	1 year return	3 year CAGR	5 year CAGR	CAGR Since Inception	Inception date
Benchmark : S&P BSE 200 TRI		12.5%	9.3%	15.8%		
Aditya Birla Sun Life Tax Relief '96	51,600	18.2%	12.0%	22.6%	11.7%	06-Mar-08
Aditya Birla Sun Life Frontline Equity Fund	1,93,704	8.4%	8.5%	17.2%	21.5%	30-Aug-02
Aditya Birla Sun Life Equity Fund	84,815	9.9%	12.3%	22.2%	24.1%	27-Aug-98
Aditya Birla Sun Life Advantage Fund	57,246	9.8%	11.2%	22.5%	17.4%	24-Feb-95
Benchmark : CRISIL Hybrid 35+65 - Aggressive Index		10.0%	9.1%	13.5%		
Aditya Birla Sun Life Balanced Advantage Fund	33,145	4.4%	10.4%	13.3%	9.4%	25-Apr-00
Aditya Birla Sun Life Balanced '95	1,38,912	8.0%	9.5%	17.3%	20.4%	10-Feb-95
Benchmark : Nifty 50 TRI		11.8%	7.4%	13.6%		
Aditya Birla Sun Life Top 100 Fund	39,486	7.4%	8.4%	17.7%	14.7%	24-Oct-05
Total of above funds' AUM	5,98,907					
Above funds as % of Birla SL AMC's equity MF AUM	70%					

Source: Company, JM Financial

Birla Sun Life AMC – Valuation summary

We value Birla SL AMC using 2-stage Gordon Growth Model with assumptions as shown below. Based on our assumptions Birla SL AMC is valued at 25x FY20E PAT to arrive at a fair value of INR 134bn.

Exhibit 47. Birla SL AMC : Valuation summary

Initial no of years	10
Growth rate for the first 10 years (%)	16%
Payout ratio for the first 10 years (%)	60%
Perpetual growth rate (%)	6%
Perpetual payout ratio (%)	80%
K1	7.1
K2	17.7
FY20E PAT (INR bn)	5.4
Target multiple on FY20E PAT (x)	**25**
Fair value (INR bn)	**134**

Source: Company, JM Financial

Financial Tables - Birla Sun Life AMC

Income Statement (INR mn)

	FY16	FY17	FY18	FY19E	FY20E
Invst. Mgmt. Fees	6,999	8,511	11,342	13,678	16,730
PMS Fees	218	690	939	1,174	1,409
Share of Profit in LLP	200	182	209	220	231
Investment Management fees	**7,416**	**9,384**	**12,491**	**15,072**	**18,370**
Total Other income	149	499	409	451	506
Total Revenue	**7,565**	**9,883**	**12,899**	**15,523**	**18,875**
Employee costs	1,598	1,817	2,186	2,663	3,096
Admin & Other expenses	888	1,133	1,347	1,604	1,903
Mktg & publicity expenses	1,791	3,509	4,365	5,060	5,831
Total Operating Expenses	**4,277**	**6,459**	**7,897**	**9,327**	**10,830**
Depreciation	86	75	72	65	58
Total Expenditure	**4,363**	**6,535**	**7,969**	**9,392**	**10,888**
PBT	**3,202**	**3,348**	**4,930**	**6,131**	**7,988**
Tax	(1,107)	(1,137)	(1,676)	(2,023)	(2,636)
PAT (Pre-Extraordinaries)	**2,095**	**2,211**	**3,254**	**4,108**	**5,352**
Extraordinaries	-	-	-	-	-
Reported Proft (PAT)	**2,095**	**2,211**	**3,254**	**4,108**	**5,352**
Dividend	-	-	-	-	-
Retained earnings	**2,095**	**2,211**	**3,254**	**4,108**	**5,352**

Source: Company, JM Financial

Balance Sheet (INR mn)

	FY16	FY17	FY18	FY19E	FY20E
Share capital	180	180	180	180	180
Reserves & Surplus	8,122	9,731	12,009	14,884	18,630
Networth	**8,302**	**9,911**	**12,189**	**15,064**	**18,810**
Current Liabilities	646	1,416	1,628	1,873	2,247
Provisions	923	1,110	1,222	1,344	1,478
Total Liabilities	**9,870**	**12,437**	**15,038**	**18,281**	**22,536**
Net Fixed Assets	86	112	88	75	75
Non-Current investments	2,472	3,077	3,746	4,508	5,358
Total Non-current assets	**3,567**	**4,237**	**4,789**	**5,478**	**6,372**
Total Current investments	4,830	6,672	8,340	10,175	12,210
Total Current Assets	**6,303**	**8,200**	**10,249**	**12,802**	**16,164**
Total Assets	**9,870**	**12,437**	**15,038**	**18,281**	**22,536**

Source: Company, JM Financial

Mutual Fund AUM (INR bn)

Closing AUM	FY16	FY17	FY18	FY19E	FY20E
Equity	332	556	848	1,199	1,588
Debt	721	1,023	1,077	1,179	1,367
Liquid	179	287	373	423	482
Others	1	3	2	3	3
Total AUM	**1,233**	**1,869**	**2,301**	**2,803**	**3,439**
AUM growth (%)					
Equity	23%	68%	52%	41%	32%
Debt	6%	42%	5%	9%	16%
Liquid	2%	60%	30%	13%	14%
Others	22%	122%	-21%	10%	25%
Total AUM	**10%**	**52%**	**23%**	**22%**	**23%**

Source: Company, JM Financial

Key Ratios

As a % of Avg AUM	FY16	FY17	FY18	FY19E	FY20E
Core Revenues / Avg. AUM	0.63%	0.60%	0.60%	0.59%	0.59%
Other Revenues / Avg. AUM	0.01%	0.03%	0.02%	0.02%	0.02%
Total Revenues / Avg. AUM	**0.64%**	**0.64%**	**0.62%**	**0.61%**	**0.60%**
Employee cost / Avg. AUM	0.14%	0.12%	0.10%	0.10%	0.10%
Brokerage / Avg. AUM	0.14%	0.19%	0.18%	0.16%	0.15%
Operating cost / Avg. AUM	0.37%	0.42%	0.38%	0.37%	0.35%
PBT / Avg. AUM	0.27%	0.22%	0.24%	0.24%	0.26%
PAT / Avg. AUM	**0.18%**	**0.14%**	**0.16%**	**0.16%**	**0.17%**
As a % of Balance sheet assets					
Core Revenues / Avg. Assets	86.1%	84.1%	90.9%	90.5%	90.0%
Other Revenues / Avg. Assets	1.7%	4.5%	3.0%	2.7%	2.5%
Total Revenues / Avg. Assets	87.8%	88.6%	93.9%	93.2%	92.5%
Employee cost / Avg. Assets	18.6%	16.3%	15.9%	16.0%	15.2%
Brokerage / Avg. Assets	1.9%	4.7%	5.0%	5.1%	5.0%
Operating cost / Avg. Assets	50.7%	58.6%	58.0%	56.4%	53.3%
PBT / Avg. Assets	37.2%	30.0%	35.9%	36.8%	39.1%
RoA (%)	**24.3%**	**19.8%**	**23.7%**	**24.7%**	**26.2%**
Avg Assets/Equity (x)	1.2	1.2	1.2	1.2	1.2
RoE (%)	**28.9%**	**24.3%**	**29.4%**	**30.1%**	**31.6%**

Source: Company, JM Financial

Growth ratios (YoY %)

	FY16	FY17	FY18E	FY19E	FY20E
Inv mgmt fees	29.1%	26.5%	33.1%	20.7%	21.9%
Other income	-59.0%	234.9%	-18.1%	10.4%	12.0%
Revenue	23.9%	30.6%	30.5%	20.3%	21.6%
Employee cost	17.0%	13.7%	20.3%	21.8%	16.2%
Admin & other exp	27.2%	27.6%	18.9%	19.1%	18.6%
Marketing & publicity exp	-14.5%	95.9%	24.4%	15.9%	15.2%
Total operating exp	2.9%	51.0%	22.3%	18.1%	16.1%
PBT	73.6%	4.6%	47.3%	24.4%	30.3%
Tax	90.4%	2.7%	47.4%	20.7%	30.3%
PAT	65.8%	5.5%	47.2%	26.2%	30.3%
Total Bal. sheet assets	34.2%	26.0%	20.9%	21.6%	23.3%

Source: Company, JM Financial

Birla Sun Life Insurance – banca tie-ups yielding results

Birla Sun Life (BSL)'s APE has posted a 21% CAGR over FY16-18, after declining for 7 consecutive years (FY09-16), led by improvement in agency productivity and an increase in ticket sizes. The insurer became the first non-banca player to report positive post-overrun NBV margins of 4.3% in FY18 vs. -5.5% in FY17 driven by, a) scaling up of banca partnerships, whose contribution increased to 19% of individual new business in FY18 vs. 10% in FY17, b) share of protection jumped 300bps YoY to 5% of individual new business in FY18, and c) 13-month persistency improved to 75.2% in FY18 vs 71.4% in FY17. Going forward, we expect APE growth to improve to 17% over FY18-20E, driven by scaling up of banca tie-ups. With focus on protection and non-par products, we expect margins to reach 9% by FY20E, driven by improvement in operational efficiency. We forecast ROEV of 12% over FY18-20E. We value BSL at 2.0x FY20EV, implying value of INR 107bn.

- APE growth continues improvement in FY18: APE growth turned positive after declining for 7 consecutive years, resulting in BSL's market share falling from 6% in FY13 to 3% in FY18. However, APE growth picked up in FY17 (30% YoY) and continued into FY18 with growth of 12% YoY. This was driven by, a) scaling up of banca partnerships especially HDFC Bank, c) improved agency productivity and b) an increase in ticket sizes. We expect 17% APE CAGR over FY18-20E, driven by scaling up of BSL's bancassurance tie-ups.

- Product mix shifts in favour of ULIPs and protection: In line with scaling up of banca partnerships – especially HDFC Bank – the insurer has seen improvement in ULIP share from 30% of individual new business in FY17 to 39% in FY18. Traditional products' share declined 11% YoY to 56% with PAR constituting 24% (vs. 29% in FY17) and non-PAR constituting 32% (vs. 38%). Additionally, the share of protection increased to 5% of individual new business vs. 2% in FY17. Going ahead, management intends to have a balanced product mix with focus on high-margin protection products.

- Banca partnerships scaling up; non-agency contribution increased to 32% of individual new business in FY18: The contribution of the bancassurance channel (as a % of individual NBPs) increased from 10% in FY17 to 19% in FY18 as the HDFC Bank's partnership scaled up, with BSL getting access to all branches of the bank starting Apr'18. Other partners under open architecture include DCB, RBL, Deutsche and AU Small Finance Bank. Hence, we expect bancassurance contribution to improve and have a positive impact on new business growth in the near term. Agency channel contribution continued to remain high at 68% in FY18 (vs. 77% in FY14) with the implementation of the new agency distribution model. Its direct channel contribution increased to 8% in FY18 vs. 7% in FY17: we expect the share to improve with the insurer's investment into digital channels. With more bank partners and a higher focus on the direct channel, the non-agency channels contribution increased to 32% of individual new business premiums in FY18, vs. 23% in FY17.

- Improvement in cost ratios and persistency: Operating expense ratio (ex-commissions) improved to 14% in FY17 vs. 15% in FY17. We expect this to drop as BSL digitises back-end processes. 13-month persistency ratio improved to 75.2% (vs. 71.4% in FY17), while 49-month persistency improved to 49% (vs. 47% in FY17) in FY18.

- First non-banca player to report positive post-overruns NBV margins of 4.3% in FY18: BSL's post overrun margins were positive at 4.3% in FY18 vs. negative 5.5% in FY17 driven by, a) scale up of banca channels aiding expense management, b) rise in share of protection and c) improvement in persistency. Pre-overruns margins continue to be the highest in the industry at 32.9% in FY18 vs 28.9% in FY17. We expect post-overrun margins to reach 9% by FY20E, driven by healthy APE growth, cost controls and improvement in productivity.

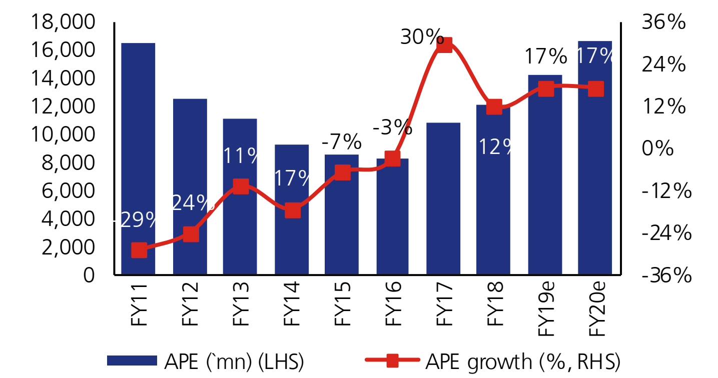
- Embedded value expanded 12% YoY to INR 42.8bn in FY18: BSL reported EV of INR 42.8 bn in FY18, a growth of 12% YoY driven by the 38% YoY increase in new business value to INR 3.9bn.

- ROEV to improve to 12% by FY20E; value Birla Sun Life at 2.0x FY20E EV: Being an agency dominated channel, BSL's ROEVs have remained significantly lower than those of bank-promoted insurers. However, sensing the potential in its banca tie-ups – especially HDFC Bank – we expect operating ROEV to improve and reach 12% by FY20E driven by improvement in post-overrun margins and healthy APE growth. We value BSL at 2.0x Mar'20 EV, implying a value of INR 107bn.

- Key risks: a) Increase in tax rate from current levels would adversely impact EV and margins and b) any change in regulations with respect to the high-margin non-par business would impact Birla Sun Life adversely.

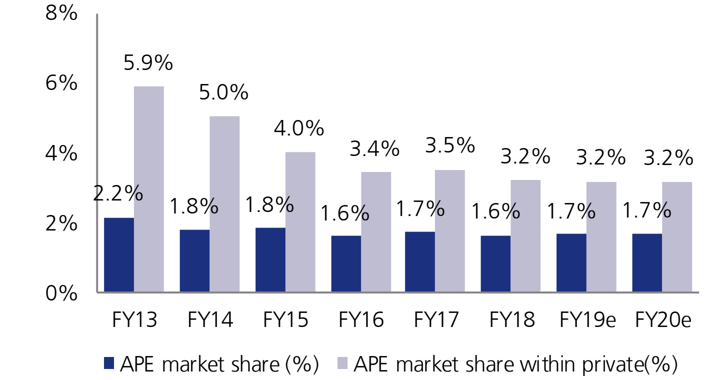
Birla Sun Life Insurance – key charts

Exhibit 48. APE growth trends



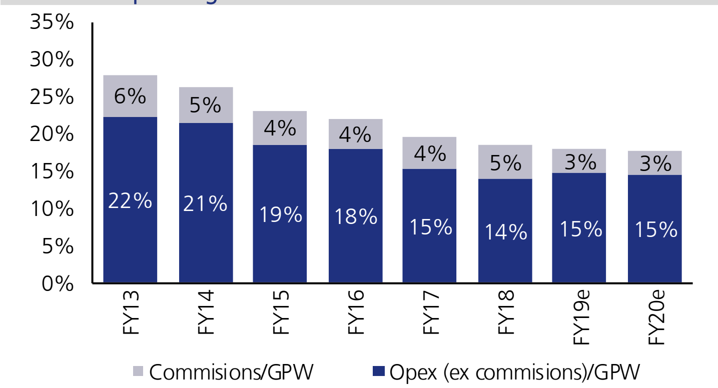
Source: Company, JM Financial

Exhibit 49. Market share



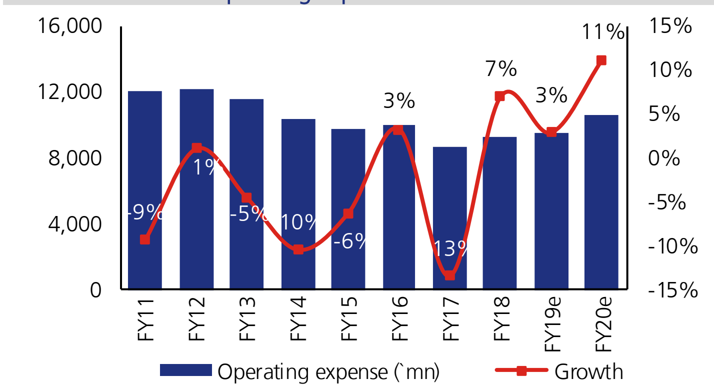
Source: Company, JM Financial

Exhibit 50. Operating cost mix



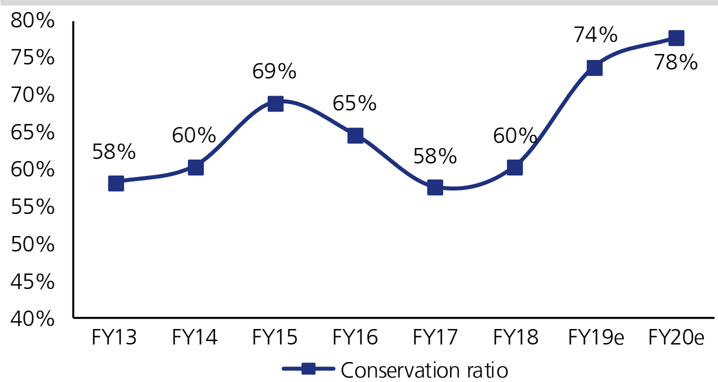
Source: Company, JM Financial

Exhibit 51. Trend in operating expense



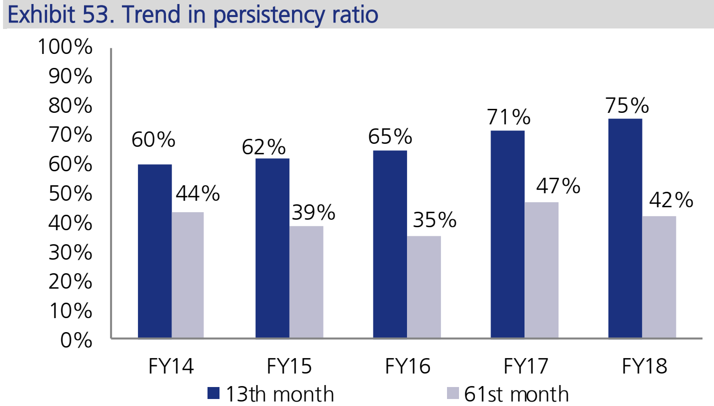
Source: Company, JM Financial

Exhibit 52. Trend in conservation ratio



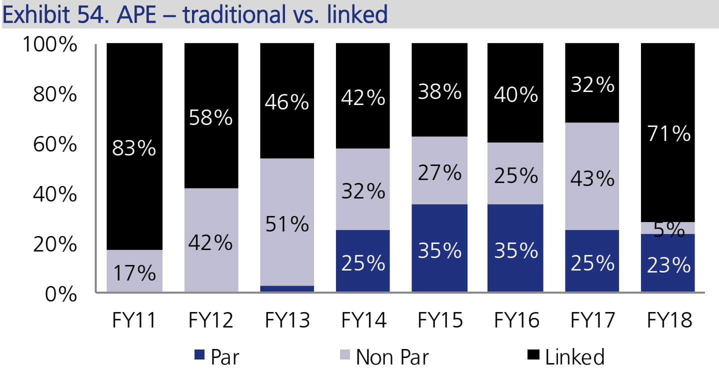
Source: Company, JM Financial

Exhibit 53. Trend in persistency ratio



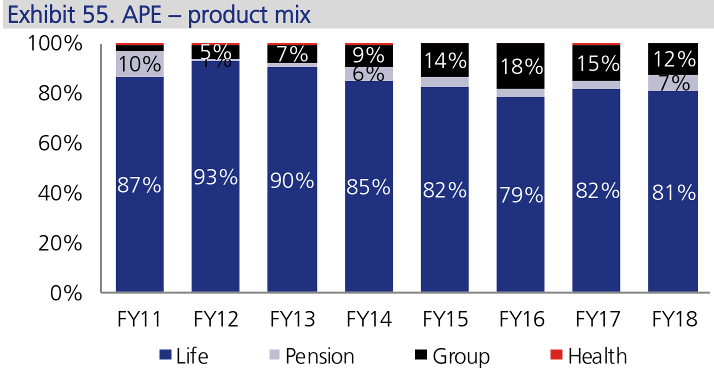
Source: Company, JM Financial

Exhibit 54. APE – traditional vs. linked



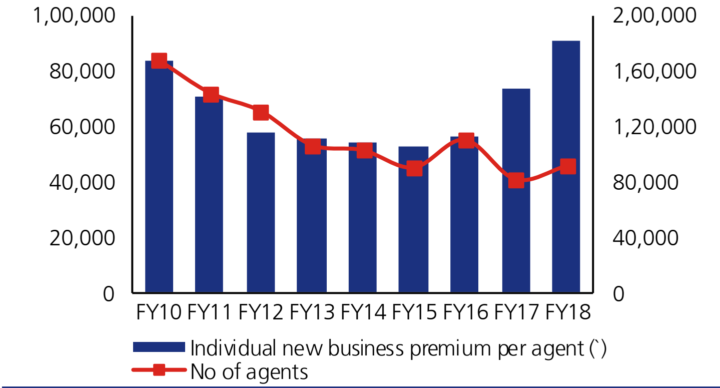
Source: Company, JM Financial

Exhibit 55. APE – product mix



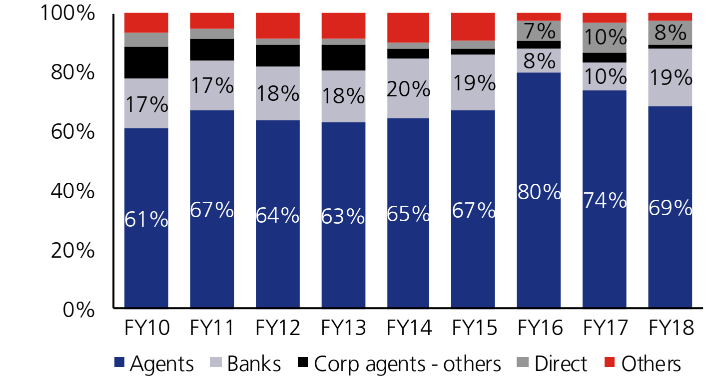
Source: Company, JM Financial

Exhibit 56. Agent productivity



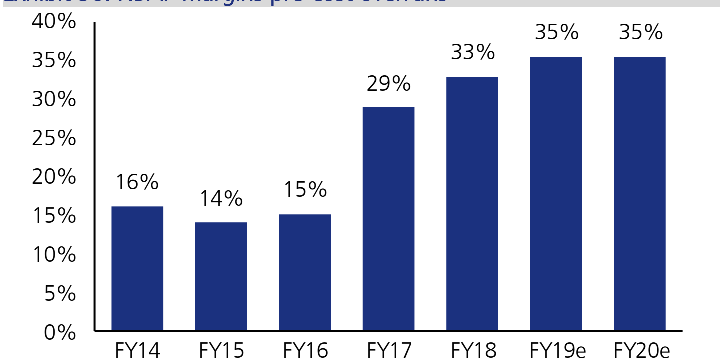
Source: Company, JM Financial

Exhibit 57. Individual premiums by distribution channels



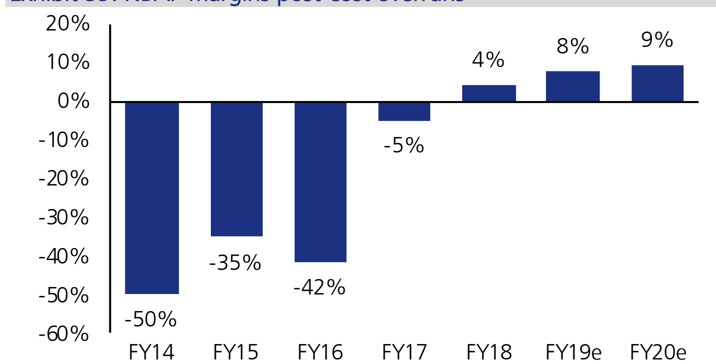
Source: Company, JM Financial

Exhibit 58. NBAP margins pre-cost overruns



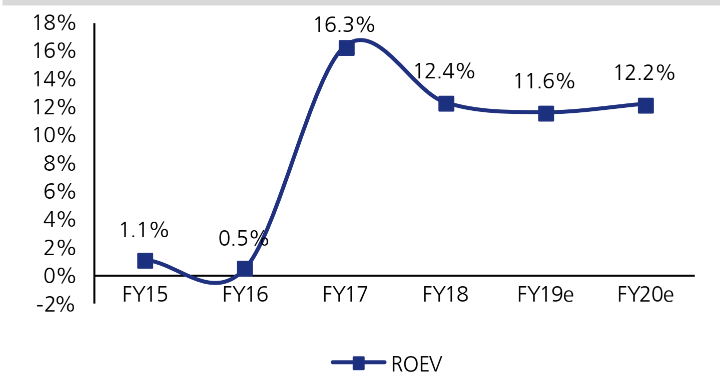
Source: Company, JM Financial

Exhibit 59. NBAP margins post-cost overruns



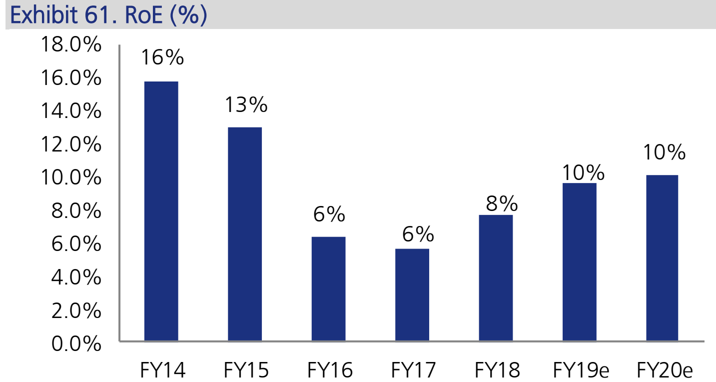
Source: Company, JM Financial

Exhibit 60. RoEV trend



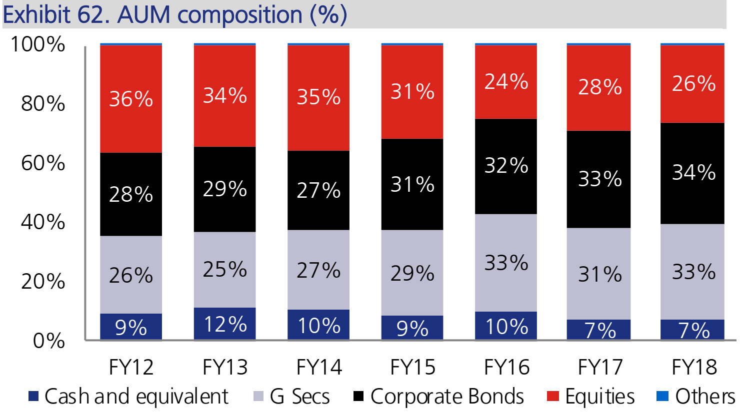
Source: Company, JM Financial

Exhibit 61. RoE (%)



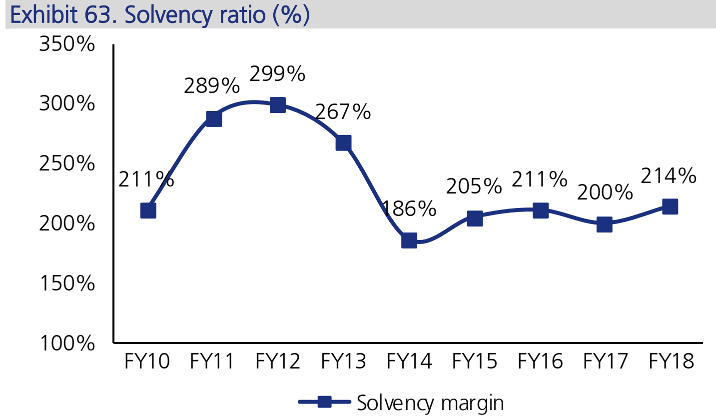
Source: Company, JM Financial

Exhibit 62. AUM composition (%)



Source: Company, JM Financial

Exhibit 63. Solvency ratio (%)



Source: Company, JM Financial

Peer valuation

Exhibit 64. Life insurance valuation comps

	Embedded Value (INR bn)				APE grth YoY %				New business margin (%)*				Operating ROEV (%)				P/EV (x)			
Company	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E
ICICI Pru	162	188	213	243	27%	16%	19%	17%	10%	17%	17%	17%	16%	17%	18%	19%	3.7	3.2	2.8	2.4
SBI Life	165	191	235	286	40%	28%	21%	19%	15%	17%	16%	17%	18%	18%	19%	19%	4.1	3.5	2.9	2.4
HDFC Life	125	152	183	221	13%	30%	21%	19%	22%	23%	23%	24%	21%	22%	21%	22%	7.7	6.3	5.2	4.4
Max Life	66	75	86	99	26%	22%	17%	17%	19%	19%	18%	18%	20%	19%	20%	19%	2.7	2.4	2.1	1.8
Bajaj Allianz	113	126	142	161	34%	36%	25%	22%	-4%	1%	5%	9%	8%	9%	9%	10%	2.9	2.5	2.3	2.0
Birla Sun Life	38	43	48	54	30%	12%	17%	17%	-5%	4%	8%	9%	8%	11%	12%	12%	2.8	2.5	2.2	2.0

Source: Company, JM Financial; *Post cost overrun margins; $For unlisted companies have used JMFL estimate valuation;#For FY18, have used actuals where available

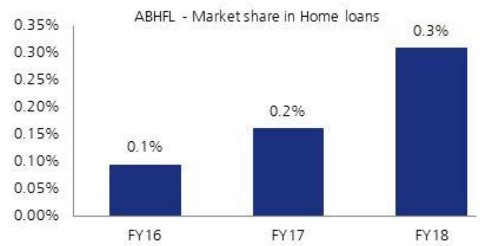
Aditya Birla Housing Finance

One of the fastest growing HFCs with loan book of INR 81bn as of Mar'18

- Aditya Birla Housing Finance Limited (ABHFL), a subsidiary of Aditya Birla Capital Limited, was incorporated in 2009, to venture into the housing finance space. It commenced operations in Oct'14. Over the past 3.5 years, it has expanded its footprint to 51 branches and over 2700 channel partners. ABHFL is one of the fastest growing HFCs (AUM CAGR of 103% over FY16-18) with a net worth of INR 7.5bn and lending book of INR 81.4bn as on Mar'18. The company offers a complete range of housing finance solutions such as home loans, home extension loans, plot & home construction loans, home Improvement loans, LAP, construction financing, lease rental discounting, commercial property purchase loans and property advisory services. ABHFL's target segment primarily comprises Self-Employed Non-Professionals (SENP) – (75% of total book).

Loan book of INR 81bn as of Mar'18; market share has improved from 0.1% in FY16 to 0.3% in FY17

ABHFL: Product mix



Source: NHB

Exhibit 65. Aditya Birla Housing Finance – key financials

Key Financials	FY16	FY17	FY18	FY19E	FY20E	CAGR (16-18)	CAGR (18-20E)
Net profit (INR mn)	-302	-155	237	845	1,724	NM	169.6%
Net profit (YoY%)	NM	NM	NM	256%	104%		
Loan book (INR mn)	19,730	41,369	81,370	1,33,423	1,99,550	103.1%	56.6%
Loan book (YoY%)	1290%	110%	97%	64%	50%		
Gross NPL (%)	0.17%	0.34%	0.53%	0.65%	0.79%	0.4%	0.3%
Net NPL (%)	0.00%	0.28%	0.43%	0.49%	0.56%	0.4%	0.1%
Coverage (%)		17.5%	18.6%	25.0%	30.0%	18.6%	11.4%
ROA (%)	-2.8%	-0.5%	0.4%	0.8%	1.0%	3.2%	0.6%
ROE (%)	-24.1%	-5.4%	4.2%	8.1%	10.3%	NM	6.1%

Source: Company, JM Financial

One of the fastest growing HFCs with a loan book of INR 81bn as of Mar'18

- ABG's strong franchise and relationships as well as access to ABFL's marketing and loans origination teams has allowed ABHFL to rapidly scale up its portfolio to INR 81.4bn as of Mar'18 (vs. INR 1.42bn as of Mar'15). At end-Mar'18, its loan book primarily comprised home loans (~58% of the overall portfolio) and affordable housing (5%), while LAP and lease rental discounting together constituted around 26%; finally, construction finance constituted around 11% of the overall portfolio. Over the past year, growth has been primarily driven by the addition of new customers (number of customers has increased 3x to 19,000+) while the average home loan ticket size has reduced from INR 4.5mn to INR 2.7mn. Over the past 2 years, ABHFL has recorded 103% AUM CAGR over FY16-18 and has increased its market share to 0.3% in FY18 from 0.1% in FY16 driven by:

  i) Tie-ups with developers and builders – primarily A and B category developers where approvals are in place.

  ii) Focus on cross-selling – Currently, around ¼ of its housing finance customers already own other products in ABG.

  iii) Focus on affordable housing – The company has built a loan book of ~INR 4bn in less than a year, with an average ticket size of INR 1.1mn.

  iv) Achieving the right balance of sourcing and product mix. The proportion of home loans: LAP: construction finance stands at 63:26:11. Going ahead, the company is planning to increase the proportion of affordable housing and construction finance while reducing its LAP exposure. It is targeting loan mix of 60:20:20 for home loan:LAP:construction finance.

Target product loan mix of -

60: 20: 20 in Home Loan: LAP: Construction Finance

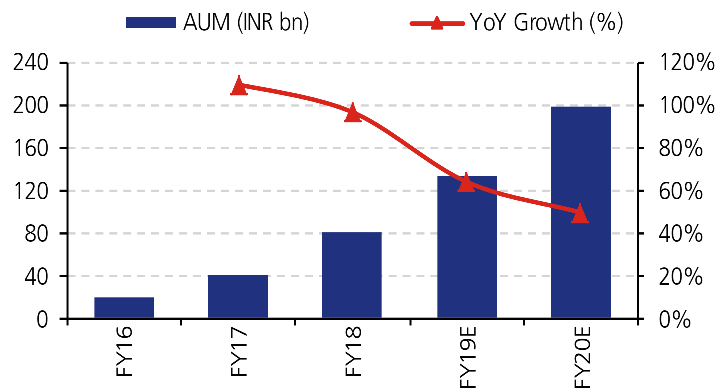
- We expect loan book growth to continue rapidly (57% CAGR in AUM over FY18-20E), driven by i) **Branch expansion** – It is planning to add 33 branches by Mar'19, reaching a total of 84; ii) **Scale-up of affordable housing** by tapping into Tier 2-4 cities; iii) **Creating synergies** across ABCL/ABG to drive future growth: management intends to grow its salaried segment portfolio by extending loans to the employees of group companies and iv) **Higher cross-selling:** currently, 415 distributors are selling multiple products; the company intends to leverage this and expects cross-selling to improve.

Exhibit 66. Aditya Birla Housing Finance – Portfolio

Aditya Birla Housing	Home Loans	LAP	Construction Finance	Affordable Home Lons
Product Profile	Home loans for salaried customers and self-employed customers	Financing business requirements such as working capital for business	Construction finance loans to A&B category builders for residential housing projects	Home loans for self-employed, customers earning in cash
% of loan book	58%	26%	11%	5%
Major Cities present	44 branches (as of Dec'17) in major Metro and Tier I/II cities		Raheja, Hiranandani, Shapoorji Pallonji	
Yields (%)	9-9.5%	11.00%	13.00%	10-12%
Average Loan size (Rs mn)	INR 3.1 mn	INR 10-12.5 mn	INR 200-300mn	INR 1.1mn
LTV (%)	60%	60-70%	50%	
No. of Customers	~13,000 live accounts			
Customer Mix	75% Self employed		- Primarily A and B Category developers where approvals are in place. - Financing in the mid to late stage	- Focusing on Micro Markets

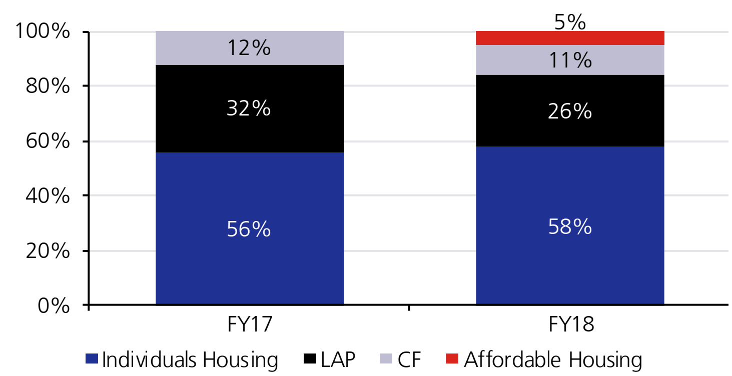
Source: Company, JM Financial

Exhibit 67. ABHFL: Expect 57% AUM CAGR over FY18-20E



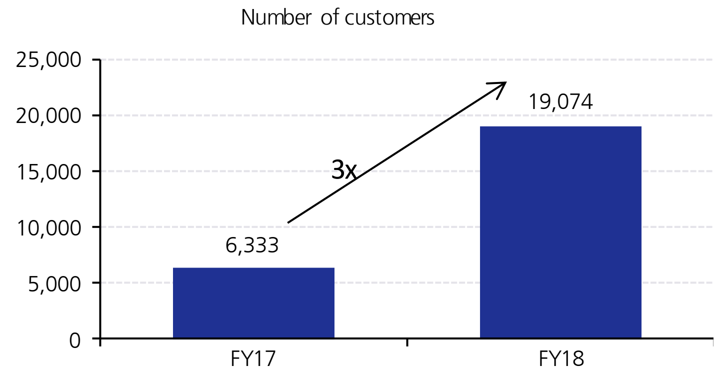
Source: Company, JM Financial

Exhibit 68. ABHFL: AUM Mix



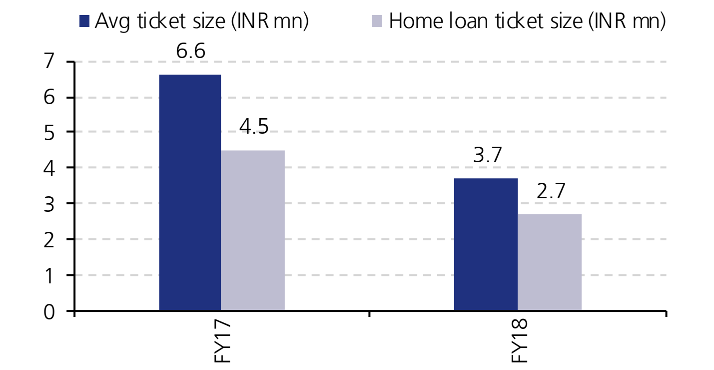
Source: Company, JM Financial

Exhibit 69. ABHFL: Number of customers



Source: Company, JM Financial

Exhibit 70. ABHFL: Average ticket size



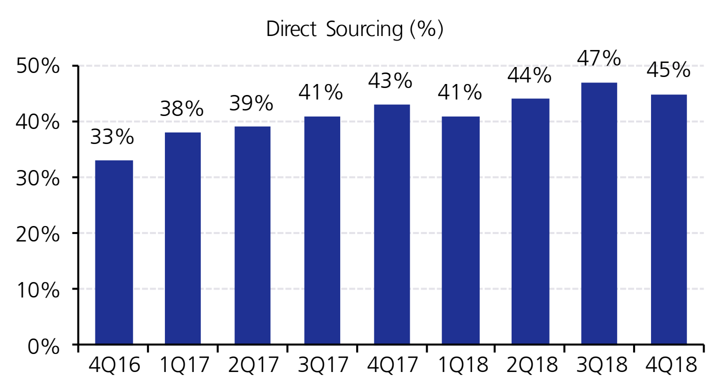
Source: Company, JM Financial

Distribution strategy – Geographical expansion focused on Tier II/IV cities

- ABHFL has largely targeted metros and Tier I cities, where the group has a strong presence and the company has enjoyed infrastructure support from the parent group until its scale of operations increases. Over the past 3 years, ABHFL has increased its presence across 51 branches and has over 2,700 channel partners.

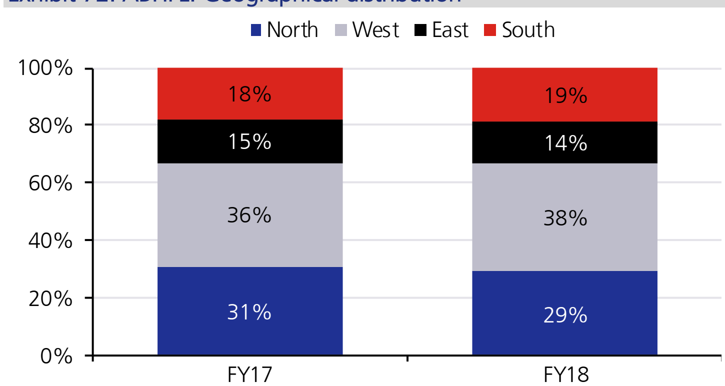
  Going ahead, ABHFL plans to expand its presence in Tier II/IV cities and focus on affordable housing (5% of total book as of FY18) through hub-and-spoke model to capitalise on the opportunity provided by government schemes. Currently, 45% of the loans are sourced through direct channels and the rest via channel partners.

Exhibit 71. ABHFL: Sourcing Mix (%)



Source: Company, JM Financial

Exhibit 72. ABHFL: Geographical distribution

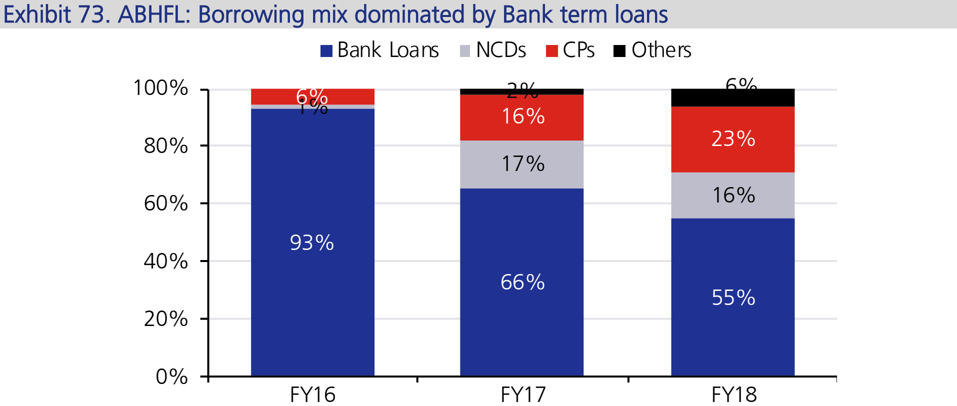


Source: Company, JM Financial

Borrowing mix dominated by bank term loans

- ABHFL borrowing mix is currently dominated by bank loans comprising 55% of total borrowings followed by NCDs (16%) and CPs (23%)

Exhibit 73. ABHFL: Borrowing mix dominated by Bank term loans



Source: Company, JM Financial

A1+ rating for short-term debt & AA+ rating for long-term debt

- ABHFL has a short-term credit rating of A1+ by India Ratings and ICRA, long-term credit rating of AAA (with stable outlook) by India Ratings and AA+ by ICRA and Perpetual debt credit rating of AA+ (with stable outlook) by India Ratings and AA by ICRA.

Exhibit 74. ABHFL: Rating summary

Instrument	Rating
Short-term debt	A1+ (ICRA, India Ratings)
Long-term debt	AA+ (ICRA); AAA (India Ratings)

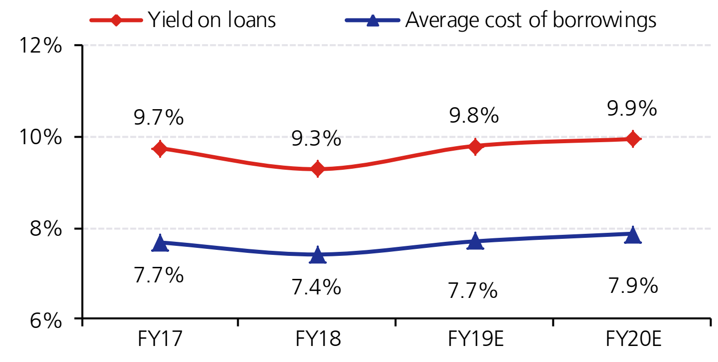
Source: Company, JM Financial

Funding cost of 7.4%; lowest amongst peers

- ABHFL's funding costs stood at 7.4% in FY18 – the lowest among peers – on its superior credit rating, strong parentage and higher proportion of CPs.

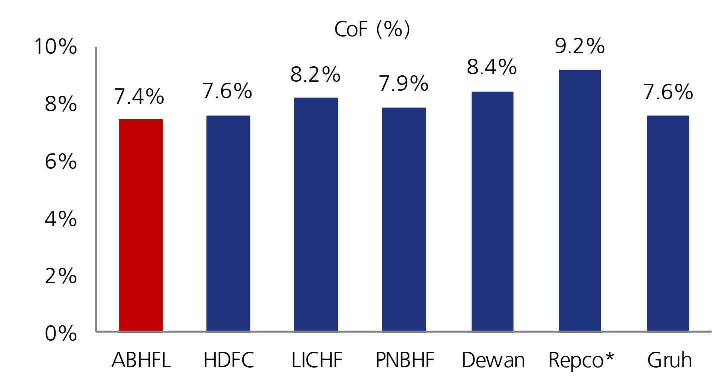
Lowest cost of funds amongst peers

Exhibit 75. ABHFL: Trend in yields and cost of borrowings



Source: Company, JM Financial

Exhibit 76. Funding cost comparison with peers (FY18)



Source: Company, JM Financial, *FY17 for Repco

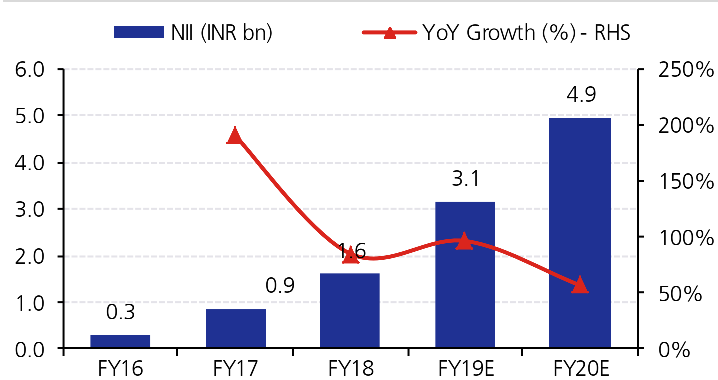
Stable margin trend

Margins have remained stable at 2.8% over FY16-18

- ABHFL's yields have increased c.110bps over FY16-18 on account of the rising share of non-housing loans. However, this was partially offset by a rise in funding costs, leading to stable margins of 2.8% over FY16-18. With increase in competitive intensity in LAP and home loans, we expect some pressure on yields; however, the rise in share of construction finance and affordable housing would offset the impact and we expect yields to improve by 67bps over FY18-20E. Consequently, we expect margins (NII/AUM) to remain stable and expect NII CAGR of 76% over FY18-20E.

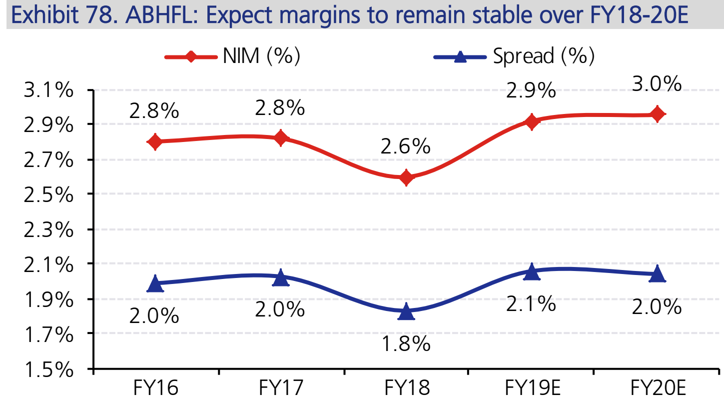
Expect margins to remain stable over FY18-20E

Exhibit 77. ABHFL: NII CAGR of 76% over FY18-20E



Source: Company, JM Financial

Exhibit 78. ABHFL: Expect margins to remain stable over FY18-20E



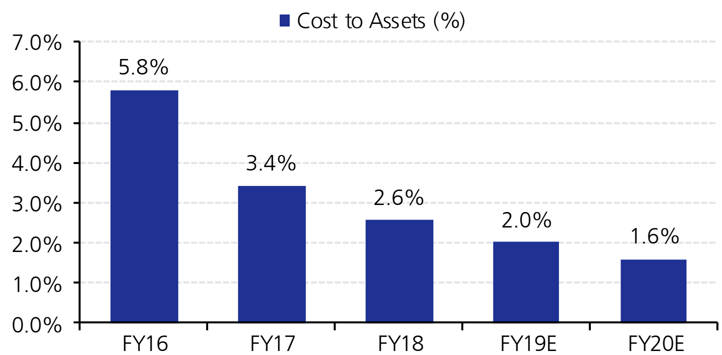
Source: Company, JM Financial

Expect cost-to-assets to decline c.100bps to 1.6% by FY20E

Cost-asset has improved by 325bps over the past 2 years to 2.6%

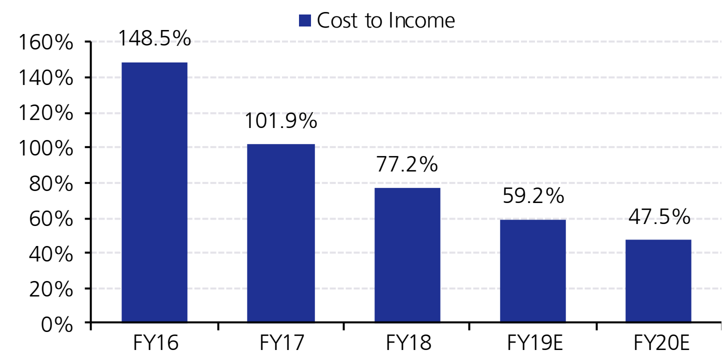
- ABHFL's cost-assets improved to 2.6% in FY18 (vs. 5.8% in FY16) owing to i) operating leverage as the portfolio scaled up rapidly during the period and given the high operating expenses (cost-assets of 10.9%, 5.8% and 3.4% for FY15, 16, 17) due to initial set-up costs and ii) contribution of direct sourcing improving to 45% in 4QFY18 compared with 33% in 4QFY16. However, cost-assets ratio is still higher than its peers (Exhibit 82). Going ahead, we expect cost-assets ratio to improve further by c.100bps to 1.6% as productivity and cost efficiency improve.

Exhibit 79. ABHFL: Cost-to-assets on a steady downtrend



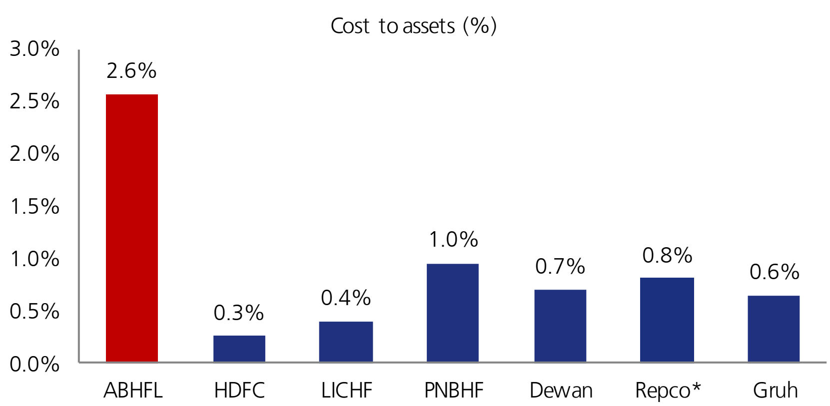
Source: Company, JM Financial

Exhibit 80. ABHFL: Trend in cost to income



Source: Company, JM Financial

Exhibit 81. Cost to assets for ABHFL is higher than peers (FY18)



Source: Company, JM Financial

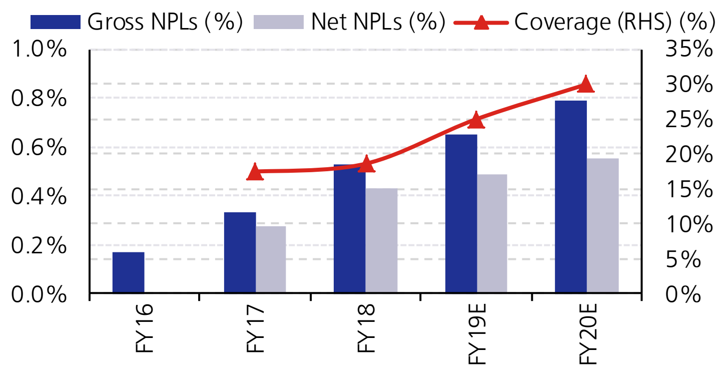
Expect stable asset quality trends

- GNPA ratio of 0.5% as of Mar'18

  Over FY13-17, ABHFL witnessed slight deterioration in the asset quality as the GNPL ratio increased to 0.5% (from 0.2% in FY16) while the coverage ratio stood at 19% in FY18. With GNPAs/NNPAs at 0.5%/0.4% as on FY18, ABHFL's asset quality is relatively better than peers (Exhibit 85) on a relatively small and unseasoned book. Within construction finance, its ticket size is the lowest amongst the peers at INR 200mn-300mn implying lower risk.

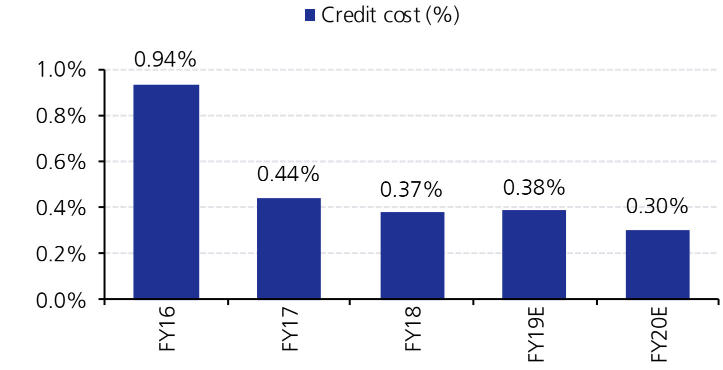
- Expect slight pressure on asset quality trends; factoring 30bps credit costs over the next 3 years: We expect some pressure on asset quality as its book becomes seasoned. We expect gross NPLs to increase to 0.8% by FY20E and coverage ratio to improve to 30% by FY20E (from 19% in FY18) and factor stable credit costs of 30bps (vs. 37bps in FY18) over the next two years.

Exhibit 82. ABHFL: Trend in NPLs



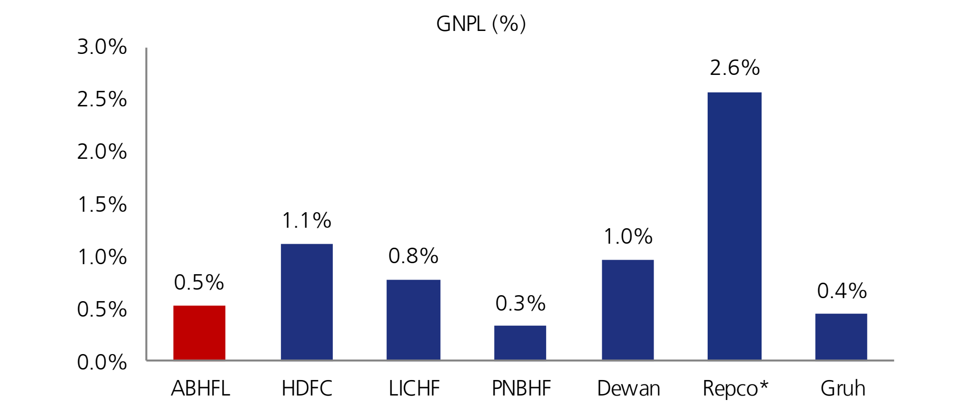
Source: Company, JM Financial

Exhibit 83. ABHFL: Trend in Credit costs



Source: Company, JM Financial

Exhibit 84. Trend in asset quality for peers



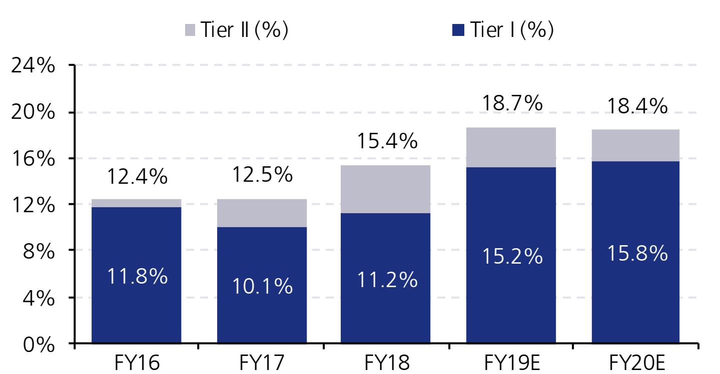
Source: Company, JM Financial

Adequately capitalised

- Tier-I of 11.2% as of FY18

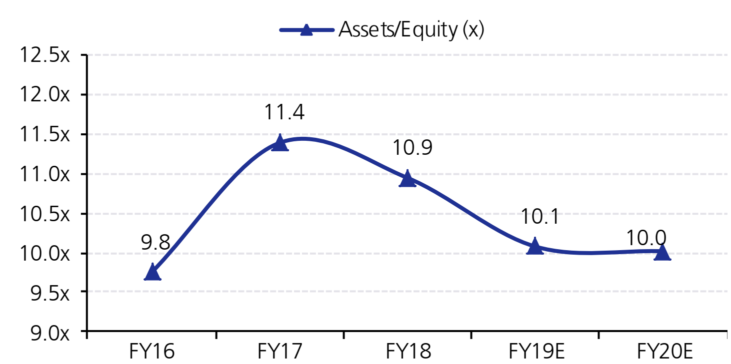
Despite rapid expansion and initial set-up costs, ABHFL has maintained a comfortable capitalisation profile with a Tier I of 11.2% (and CAR of 15.4% as of FY18) on the back of fresh equity infusion of around INR 7.2bn received from its parent over FY16-18.

Exhibit 85. ABHFL: Trend in Capital Ratio



Source: Company, JM Financial

Exhibit 86. ABHFL: Trend in leverage (x)

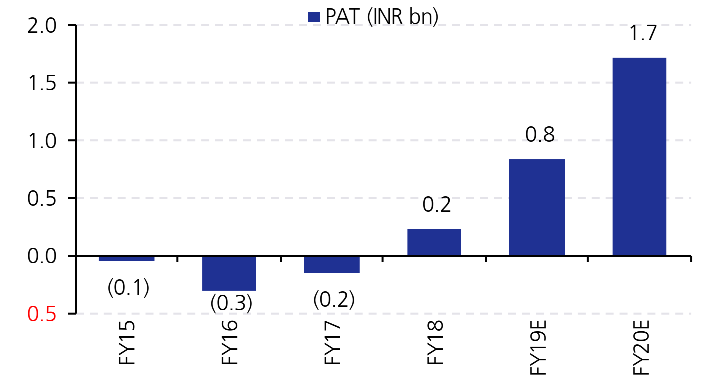


Source: Company, JM Financial

Expect earnings CAGR of 170% due to low base over FY18-20E on an improvement in cost efficiency

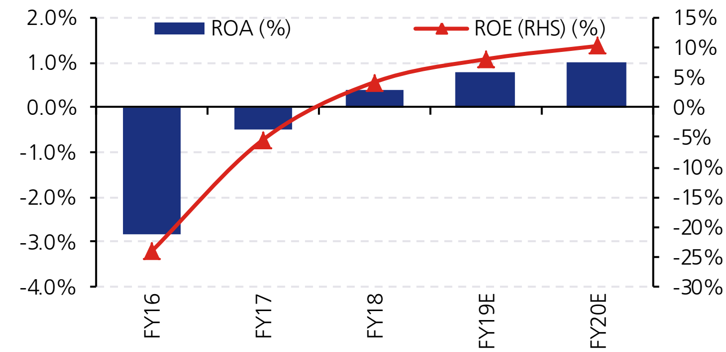
- Over FY15-17, ABHFL reported operating losses, given its high operating expenses (cost-assets of 10.9%, 5.8% and 3.4% for FY15, 16, 17) due to initial set-up costs. However, the company turned profitable in FY18 as operating leverage kicked in. Given the vast market potential, moderate risk profile of its target customers, prudent lending norms and experienced management team, we forecast net profit to record a 170% CAGR (due to low base) over FY18–20E. We expect improvement in profitability parameters with RoA/RoE improving to 1%/10% in FY20E (vs. 0.4%/4% in FY18) through a combination of strong growth and improving cost efficiency.

Exhibit 87. ABHFL: Profitability – Expect 170% CAGR over FY18-20E



Source: Company, JM Financial

Exhibit 88. ABHFL: Return ratios – Expect RoA/RoE of 1%/10% by FY20E



Source: Company, JM Financial

Peer valuation

Exhibit 89. Peer valuation - HFC

	RoA			RoE			P/E			P/B			PAT CAGR
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18-20E
ABHFL*	0.4%	0.8%	1.0%	4.2%	8.1%	10.3%	85.3	35.7	23.3	2.7	2.3	2.0	170%
HDFC	3.2%	2.1%	2.1%	23.3%	14.1%	14.5%	16.3	15.1	13.0	2.2	2.0	1.8	16%
LICHF	1.2%	1.2%	1.3%	16.7%	16.8%	17.2%	12.0	10.4	8.9	1.9	1.6	1.4	16%
PNBHF	1.6%	1.5%	1.5%	14.0%	16.9%	19.8%	24.5	17.9	13.1	3.2	2.8	2.4	37%
Repco	2.2%	2.2%	2.2%	16.8%	16.2%	15.8%	17.3	15.5	13.7	2.7	2.3	2.0	19%

Source: Company, JM Financial

Financial Tables - AB Housing Finance

Income Statement (INR mn)

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Interest Income (NII)	298	865	1,602	3,149	4,941
Non Interest Income	120	170	450	519	713
Total Income	**418**	**1,035**	**2,052**	**3,668**	**5,654**
Operating Expenses	621	1,055	1,585	2,173	2,685
Pre-provisioning Profits	**-203**	**-20**	**467**	**1,495**	**2,969**
Loan-Loss Provisions	5	19	60	138	256
Others Provisions	94	116	170	274	250
Total Provisions	**99**	**135**	**230**	**412**	**506**
PBT	**-302**	**-155**	**237**	**1,083**	**2,463**
Tax	0	0	0	238	739
PAT (Pre-Extra ordinaries)	**-302**	**-155**	**237**	**845**	**1,724**
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	**-302**	**-155**	**237**	**845**	**1,724**
Dividend	0	0	0	0	0
Retained Profits	**-302**	**-155**	**237**	**845**	**1,724**

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Equity Capital	2,393	3,331	5,081	7,581	10,081
Reserves & Surplus	-345	344	2,420	5,764	9,988
Stock option outstanding	0	0	0	0	0
Borrowed Funds	17,591	37,393	73,070	1,18,446	1,76,959
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	330	779	1,512	2,690	4,021
Total Liabilities	**19,969**	**41,847**	**82,082**	**1,34,481**	**2,01,049**
Net Advances	19,730	41,369	81,370	1,33,423	1,99,550
Investments	0	0	0	0	0
Cash & Bank Balances	5	5	81	133	200
Loans and Advances	60	149	244	374	539
Other Current Assets	95	226	195	237	291
Fixed Assets	79	98	192	314	470
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0
Total Assets	**19,969**	**41,847**	**82,082**	**1,34,481**	**2,01,049**

Source: Company, JM Financial

Key Ratios

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Growth (YoY) (%)					
Borrowed funds	1749.0%	112.6%	95.4%	62.1%	49.4%
Advances	1290.2%	109.7%	96.7%	64.0%	49.6%
Total Assets	1268.1%	109.6%	96.1%	63.8%	49.5%
NII	2346.5%	190.6%	85.2%	96.6%	56.9%
Non-interest Income	417.1%	41.1%	164.7%	15.4%	37.3%
Operating Expenses	681.6%	69.8%	50.3%	37.1%	23.6%
Operating Profits	361.2%	-90.3%	-2464.1%	220.0%	98.6%
Core Operating profit	361.2%	-90.3%	-2464.1%	203.9%	102.0%
Provisions	1220.7%	36.2%	70.1%	79.0%	22.9%
Reported PAT	489.6%	-48.7%	-253.1%	256.2%	104.0%
Yields / Margins (%)					
Interest Spread	1.99%	2.03%	1.83%	2.06%	2.04%
NIM	2.80%	2.82%	2.60%	2.92%	2.96%
Profitability (%)					
ROA	-2.82%	-0.50%	0.38%	0.78%	1.03%
ROE	-24.12%	-5.42%	4.25%	8.11%	10.32%
Cost to Income	148.5%	101.9%	77.2%	59.2%	47.5%
Asset quality (%)					
Gross NPA	0.17%	0.34%	0.53%	0.65%	0.79%
LLP	0.94%	0.44%	0.37%	0.38%	0.30%
Capital Adequacy (%)					
Tier I	11.8%	10.1%	11.2%	15.2%	15.8%
CAR	12.4%	12.5%	15.4%	18.7%	18.4%

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
NII / Assets	2.78%	2.80%	2.59%	2.91%	2.95%
Other Income / Assets	1.12%	0.55%	0.73%	0.48%	0.42%
Total Income / Assets	3.90%	3.35%	3.31%	3.39%	3.37%
Cost / Assets	5.80%	3.41%	2.56%	2.01%	1.60%
PPP / Assets	-1.89%	-0.06%	0.75%	1.38%	1.77%
Provisions / Assets	0.93%	0.44%	0.37%	0.38%	0.30%
PBT / Assets	-2.82%	-0.50%	0.38%	1.00%	1.47%
Tax rate	0.00%	0.00%	0.00%	22.00%	30.00%
ROA	-2.82%	-0.50%	0.38%	0.78%	1.03%
Leverage	8.6	10.8	11.1	10.4	10.0
ROE	-24.12%	-5.42%	4.25%	8.11%	10.32%

Source: Company, JM Financial

Valuations

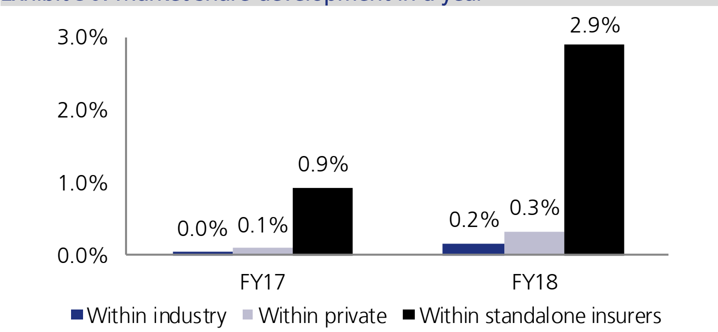
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Shares in Issue	239.3	333.1	508.1	758.1	1,008.1
EPS (INR)	-1.3	-0.5	0.5	1.1	1.7
EPS (YoY) (%)	23.3%	-63.2%	-200.3%	138.7%	53.4%
BV (INR)	9	11	15	18	20
BV (YoY) (%)	-6.4%	28.9%	33.8%	19.3%	13.1%
BV (YoY) (%)	-6.4%	28.9%	33.8%	19.3%	13.1%

Source: Company, JM Financial

Aditya Birla Health Insurance – retail focus driving performance

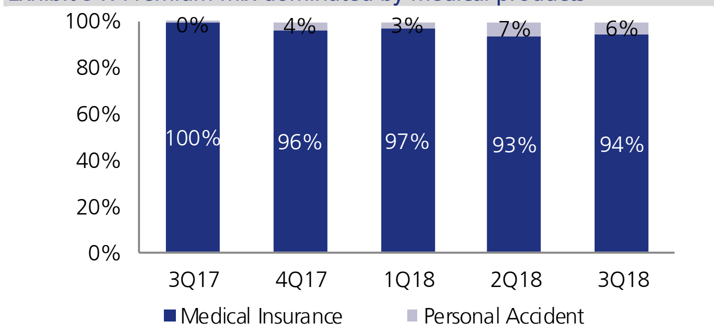
Aditya Birla Health (ABH) Insurance commenced operations in Oct'16 and became the 6th standalone insurer in the Indian non-life insurance space. It is a JV (51:49) between ABCL and MMI Holdings, a diversified financial services firm based out of South Africa with experience in "Incentivised Wellness", technical and product capabilities in chronic care. ABH's current product portfolio includes Activ Health, Activ Assure, Activ Secure, group products and other unique offerings (such as chronic care and incentivised wellness). The company has already tied up with HDFC Bank, Deutsche Bank, DCB Bank, AU SFB and RBL Bank. Within a year of starting operations, the insurer has built distribution scale driven by a) c.13,300 strong agent network, b) branch network of 59 offices across 36 cities, c) over 200+ brokers (87 retail and 112 group brokers), d) alliances with 50+ online brokers, digital and tele-assisted partners. Moreover, it has tied up with a network of over 4,200 hospitals across 540 cities to ensure customer serviceability. Till date, it has insured one million lives.

Exhibit 90. Market share development in a year



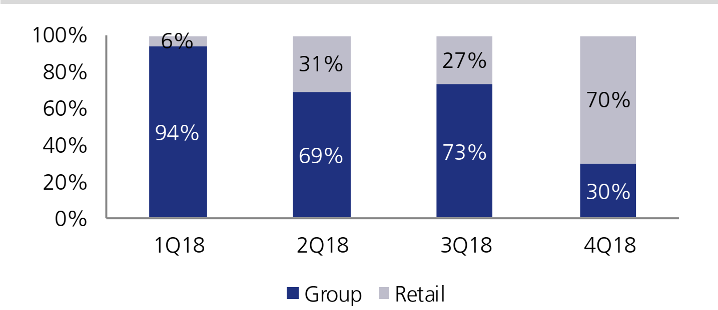
Source: Company, JM Financial

Exhibit 91. Premium mix dominated by medical products



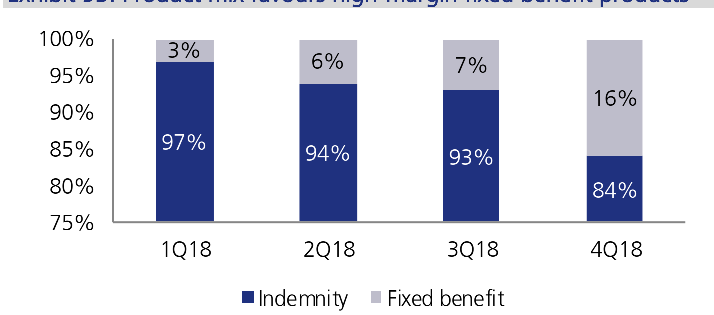
Source: Company, JM Financial

Exhibit 92. Customer mix tilted to retail



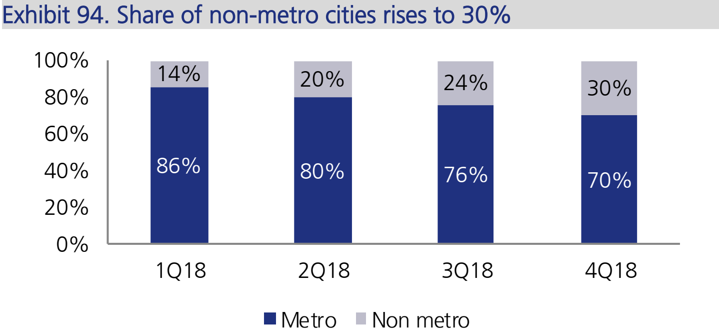
Source: Company, JM Financial

Exhibit 93. Product mix favours high-margin fixed benefit products



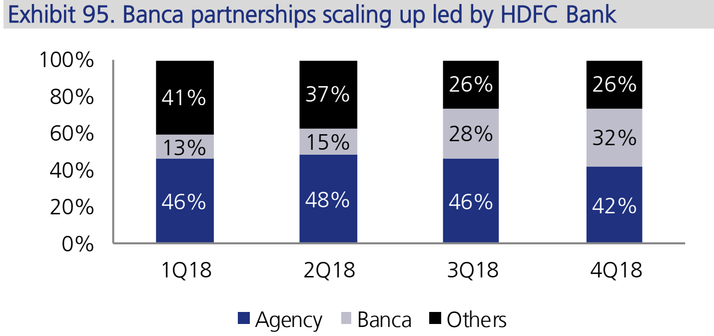
Source: Company, JM Financial

Exhibit 94. Share of non-metro cities rises to 30%



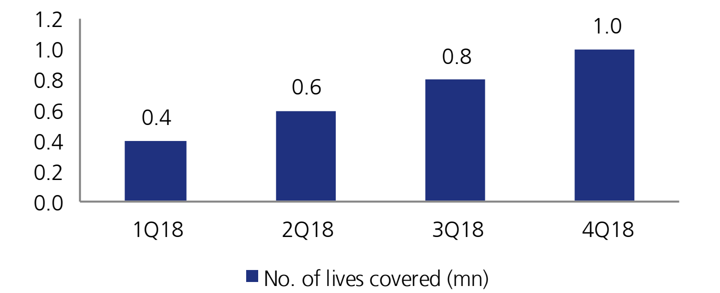
Source: Company, JM Financial

Exhibit 95. Banca partnerships scaling up led by HDFC Bank



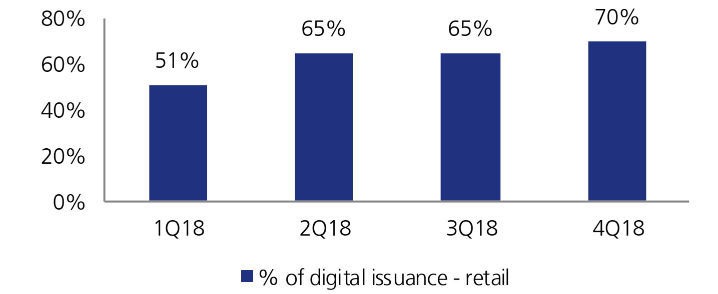
Source: Company, JM Financial

Exhibit 96. Over 1 million lives covered in one year of operation



Source: Company, JM Financial

Exhibit 97. Use of digital channel increases among retail customers



Source: Company, JM Financial

Exhibit 98. Key financials – quarterly highlights

Income Statement (INR mn)	3Q17	4Q17	1Q18	2Q18	3Q18
GWP	335	205	618	344	759
Market share - industry			0.19%	0.09%	0.21%
Market share - private			0.38%	0.18%	0.43%
Market share - standalone health			4.26%	1.96%	3.83%
NWP	318	194	583	324	718
NEP	25	109	261	315	415
Net claims	-27	-121	-268	-314	-357
Net commissions	-21	-11	-43	-26	-58
Net Opex	-226	-507	-320	-508	-603
Underwriting profit (loss)	-248	-531	-371	-533	-603
Investment income	0	58	26	23	26
Premium deficiency	-24	-13	-4	20	22
Operating profit (loss)	-273	-486	-349	-490	-555
Shareholders' invt income	3	15	23	19	20
Other income	37	0	0	0	0
Other expenses	0	-8	-1	-1	-11
PBT	-232	-478	-327	-472	-546
Tax					
PAT	-232	-478	-327	-472	-546
Balance Sheet (INR mn)					
Total assets	2,816	3,132	3,017	3,403	3,304
Equity	2,475	2,475	2,475	3,576	3,575
Product mix - based on GDPI					
Health	100%	96%	97%	97%	98%
Retail Health		13%			
Group Health		83%			
Personal Accident	0%	4%	3%	3%	2%
Key ratios					
Retention ratio	8%	56%	45%	97%	58%
Loss ratio	107%	111%	103%	100%	86%
Expense ratio	77%	267%	62%	165%	92%
Combined ratio	184%	379%	165%	264%	178%
Solvency ratio	395%	288%	222%	346%	234%
# of offices	9	9	9	43	57

Source: Company, JM Financial

For FY18, total invested capital into Health Insurance was INR 4.05 bn (o.w ABCL (51% stake) invested – INR 1.32 bn).

Other Businesses

Aditya Birla Money Ltd (ABML)

- Aditya Birla Money is a listed company engaged in the business of securities broking. It offers a wide range of solutions, including broking, PMS, depository and e-insurance repository solutions, and distribution of other financial products. It's subsidiary – Aditya Birla Commodities Broking Limited (ABCBL) – is engaged in the business of commodities broking. The company has an integrated pan-India distribution network with over 40 branch offices spread across 14 states. It has a customer base of over 300,000. ABCL holds 75% of share capital at ABML and the remaining is held by the public.

Aditya Birla PE Advisors Ltd (ABPE)

- Aditya Birla PE Advisors Private Limited provides financial advisory and management services, focusing on managing venture capital funds and alternative investment funds. ABPE is appointed as an investment manager to two SEBI-registered domestic venture capital funds – Aditya Birla Private Equity - Fund I and Aditya Birla Private Equity – Sunrise Fund – under which it manages gross AUM of INR 11.8bn (INR 4.8bn net) as of Mar'18. These are the sector agnostic funds invested in 18 companies. So far, it has done six full exists and five partial exits, with multiple of at least 1.5x of initial investment. ABPE focuses on growth investments in mid-market companies based in India.

Aditya Birla My Universe Ltd (ABMUL)

- Aditya Birla MyUniverse Limited – through its online money management platform www.MyUniverse.co.in (MyUniverse) – offers its customers account aggregation of all financial services in a highly secure environment. It is a rapidly growing platform and has ~4 million (managing over INR 200bn) registered customers. MyUniverse works with over 50 financial institutions to offer their services and products. The company has transformed into a multi-product transaction platform, with analytics-based integrated cross-sell capabilities. The company offers a wide range of financial products, such as mutual funds, personal loans, housing finance, education loans, life insurance, health insurance, equity and credit cards. ABCL holds 93.7% of share capital at ABMUL and the remaining is held by its employees (under ESOPs).

Aditya Birla Insurance Brokers Ltd (ABIBL)

- The company provides general insurance broking and risk advisory solutions to companies and individuals. ABCL holds 50.01% of its share capital and the remaining is held by Infocyber India Pvt Ltd. ABIBL is among the leading intermediary in the general insurance industry has a market share of 1.76% (of premium). It is present in both retail and corporate segments, where it provides solutions for a vast array of products including motor, travel, health and personal accident insurance within retail. On the corporate side, it provides project, property, speciality, liability and employee benefit insurance.

Aditya Birla ARC

- Aditya Birla ARC is another subsidiary of ABCL that was launched in Feb'18. It is looking to tap into bad loan opportunity in India and is open to partnering with foreign stressed assets investor.

SOTP Valuation

Value ABCL at INR 170 per share

- We value ABCL at INR 170 per share, based on SOTP: We assign INR 89 per share for AB Finance, INR 31 per share for the 51% stake in AMC business, INR 25 per share for the 51% stake in life insurance, INR 18 per share for AB Housing Finance and INR 7 per share for other businesses - Aditya Birla Health Insurance, PE Advisors, insurance brokers. NBFC business contributes 52% to our TP followed by AMC (18%), Life insurance (15%) and housing business (11%). We value ABCL at INR 170 per share

Value ABCL at INR 170 per share, based on the sum of its parts (SOTP)

Exhibit 99. Aditya Birla Capital - SoTP

Aditya Birla Capital SOTP	Holding	Valuation	Value	Contribution
	(%)	Methodology	Per Share	to TP (%)
Aditya Birla Finance	100.0%	15x FY20E P/E	89	52%
Aditya Birla SunLife AMC	51.0%	25x FY20E P/E	31	18%
Aditya Birla SunLife Insurance	51.0%	2x FY20E P/EV	25	15%
Aditya Birla Housing Finance	100.0%	2x FY20E P/B	18	11%
Others (PE, Insurance Brokers, Health Insurance, AB Money)			7	4%
Total			**170**	**100%**

Source: Company, JM Financial

Key risks

a) Volatility in interest rates: Being a wholesale funded institution, any sustained liquidity shock could impact ABCL's spreads adversely and affect profitability.

b) Pressure on margins due to increased competition: Increasing competition – especially in segments such as housing and LAP – could exert pressure on the company's yields and margins.

c) Large exposure in corporate book: ABCL has a large exposure in its corporate book, with large and mid-sized corporates accounting for 50% of the overall book.

d) Life Insurance industry risk: a) An increase in the corporate tax rate from 14.2% to 34.6% could adversely impact EV and margins and b) a sustained weakness in capital markets could have an adverse impact on the sale of unit-linked policies.

e) AMC risk: i) Fund performance: Consecutive negative or underperformance by various schemes or the or the market at large may lead to outflows from AUM thereby adversely impacting the business, ii) Predatory pricing by participants to garner market share: India has 41 AMCs, indicating the potential for consolidation or competition, iii) Regulatory risk: The Bose Committee has recommended the complete phasing out of upfront commissions in the distribution of financial products. This withdrawal of upfront incentives, if implemented, could detrimentally impact AMC’s sales through distributors. Moreover, regulations similar to SEBI mandating reductions in expense ratios for MF schemes in certain special conditions can pose further risks.

About the company

Diversified presence in the financial services space

- Aditya Birla Capital Limited (ABCL) is a part of the Aditya Birla Group (ABG), a USD 43bn Indian multinational corporation. ABCL was a 100% subsidiary of the erstwhile Aditya Birla Nuvo Ltd. (ABNL). After ABNL's merger with Grasim, ABCL was carved out as a separate entity. Grasim, the flagship company of ABG, owns ~56% and other promoter group entities own ~17% in ABCL. On 11 Aug'16, ABG announced a composite restructuring scheme, wherein Aditya Birla Nuvo Ltd (ABNL) was merged with Grasim Industries with effect from Jul'17. Accordingly, ABNL ceased to exist as a separate entity. Pursuant to the composite scheme of arrangement for amalgamation of ABNL with Grasim and demerger of the financial services business, ABCL was listed on Sep'17.

- ABCL is a diversified financial company with presence across NBFC, housing finance, asset management, insurance business and financial advisory businesses.. ABCL also has presence in securities broking, wealth management, private equity, and insurance broking. The group has successfully scaled up and gain leading market position in some of the business segments such as lending (ABFL), asset management and life insurance.

- ABCL has a strong market position in the lending business with ABFL being among the larger diversified non-banking financial companies (NBFCs) with lending book of over INR 510bn as on Mar'18. ABFL offers various products such as project loans, working capital loans, LAP to customers ranging from retail, high net worth individuals (HNIs), ultra HNIs, small and medium enterprises (SMEs), and mid-to-large corporates. ABCL entered the housing finance business through ABHFL (commenced in Oct'14) and had a loan book of INR 81.4bn as on Mar'18.

- ABCL has strong presence in the asset management business through Aditya Birla Sun Life AMC. It is the 3rd largest asset management company (AMC) in India with market share of 10.75% and domestic AUM of INR 268bn as on Mar'18. ABCL (through Aditya Birla Sun Life Insurance) also has a meaningful presence in the life insurance business, and is a leading private sector life insurance company in India. Through its securities broking entity Aditya Birla Money (Aditya Birla Money Ltd; 'CRISIL A1+'), ABCL offers a wide range of solutions including broking, portfolio management services, and depository services. ABCL recently entered the health insurance business through Aditya Birla Heath Insurance and has a unique business model of providing health insurance with active customer engagement for driving healthy behaviour and managing customer experiences. Aditya Birla ARC is another subsidiary of the company that was launched in Feb'18.

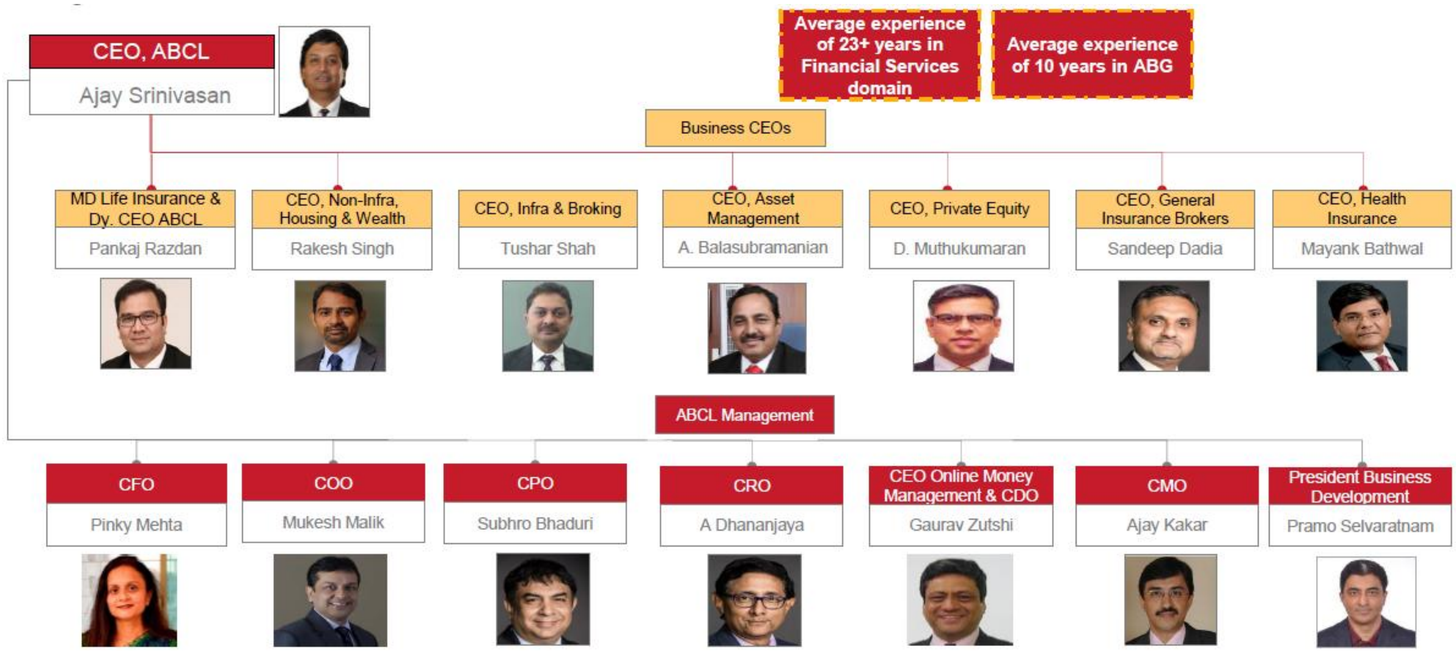
Management

Experienced management team with diverse exposure in financial services

- ABCL's management team – led by Mr. Ajay Srinivasan – is well-supported by highly experienced professionals with an average experience of 23+ years in the Financial Services domain. They have in-depth industry knowledge and experience in top banks, NBFCs, rating agencies, insurance companies, AMCs and Big 4 accounting firms. Many have held senior positions at leading banks and financial services companies such as Prudential Corporation, ICICI Prudential Asset Management Company, Standard Chartered Bank and Birla Sun Life Asset Management Company.

Average experience of 23+ years in the Financial Services domain

Exhibit 100. APCAP: Management



Source: Company, JM Financial

Exhibit 101. Aditya Birla Capital: Management team

Name	Designation	Profile
Ajay Srinivasan	Chief Executive Officer	Ajay Srinivasan is the Chief Executive Officer of the company. He has experience of over 3 decades, with 16 years as a business leader. He joined the Aditya Birla Group in 2007. Before joining the Aditya Birla Group, he was Chief Executive – Fund Management at Prudential Corporation Asia, based in Hong Kong between 2001 and 2007. As a member of Prudential Corporation Asia's Board of Directors, Ajay also oversaw the development of Prudential's retirement business in Asia. Prior to his stint at Prudential, he was Deputy Chief Executive Officer and Chief Investment Officer for the India operations of ITC Threadneedle Asset Management. Ajay holds a B.A in Economics from St Stephens College an MBA from IIM Ahmedabad.
Pankaj Razdan	Deputy CEO, Financial Services CEO and MD, Aditya Birla Sun Life Insurance	Pankaj Razdan has been with the Aditya Birla Group since July 2007 and currently serves as Deputy CEO, Financial Services. Prior to joining the Aditya Birla Group, he was with ICICI Prudential Asset Management Company since 1998, taking charge as the Managing Director in 2004. He has a B.Sc. degree in Electronics from Pune University and is a graduate in Electronics Engineering from Bombay University. He has undergone management development programmes from the Indian Institute of Management, Ahmedabad and leadership training from Centre of Leadership, USA
Pinky Mehta	CFO	A qualified chartered accountant with 27 years of diversified experience, Pinky Mehta has been a part of the Aditya Birla Group since 1991. She has handled a number of portfolios including taxation, MIS, accounts, legal and secretarial. She spearheaded the management services division of the Aditya Birla Group from 2011 to 2015 and helped expand its services to new businesses overseas. Prior to joining ABCL, she was the Chief Financial Officer of ABNL
Rakesh Singh	CEO, ABFL	Rakesh Singh has been the Chief Executive Officer of ABFL with effect from July 2011. He has over 24 years of experience and joined ABFL from Standard Chartered Bank where he spent 16 years, starting as Retail Assets (Mumbai and Kolkata) and moving on to become Head for Mortgages, India. His last assignment with Standard Chartered Bank was as General Manager & Head SME Banking, India and South Asia. He is an alumnus of the Harvard Business School and the IIM Calcutta and also holds a post-graduation degree in International Relations.
Tushar Shah	CEO, Project & Structured Finance, ABFL	Tushar Shah is the CEO for the Infrastructure, Project and Structured Finance vertical of ABFL since November 2011. Prior to ABFL, he was the Chief Operating Officer of IL&FS Financial Services. His responsibilities included asset and structured finance, DCM business and managing the structured mezzanine credit facility. He was with the IL&FS group for 16 years and has worked in the areas of capital markets, investment banking and corporate banking. He is a Chartered Accountant and holds an LLB degree.
A Balasubramanian	CEO, ABSLAMC	A. Balasubramanian is the Chief Executive Officer for Birla Sun Life Asset Management Company and has been with the organization since 1994. He has over 26 years of experience in the mutual fund industry as portfolio manager both in fixed income and equity. He is an AMP, IIM Bangalore and DFM in addition to BSc. In Mathematics. He also has a Masters in Business Administration from GlobalNext University, Malaysia.
D Muthukumaran	CEO, ABPE	Prior to taking over as the CEO of Aditya Birla Private Equity, Mr. D Muthukumaran was the Head of Group Corporate Finance at the Aditya Birla Group for 12 years. Prior to that, he was in an international investment bank for a year and in a Big 4 Accounting firm for 8 years. He holds degree as a Chartered Accountant, a Cost & Works Accountant and bachelors of commerce from University of Madras.
Sandeep Dadia	CEO and Principal Officer, ABIBL	Sandeep Dadia joined ABIBL in April 2011. Prior to ABIBL, he was the Principal Officer at Enam Insurance Brokers Private Limited. He was the key person who pioneered Enam Insurance Brokers Private Limited and served five years in Enam. He has also worked with the renowned third party administrator TTK Healthcare Services as Head – Business Development. He has a work experience of almost 20 years in the insurance industry. He holds an MBBS degree and has insurance qualification.
Mayank Bathwal	CEO, ABHICL	Mr. Mayank Bathwal is Chief Executive Officer at ABHICL. Mayank has a rich experience of nearly 20 years in the industry. He joined the Aditya Birla Group in early 1994 and has worked closely in various units and projects of the group. Mayank is Fellow member of the Institute of Chartered Accountants of India (ICAI), the Institute of Cost & Works Accountants of India (ICWA) and the Institute of Company Secretaries of India (ICSI).

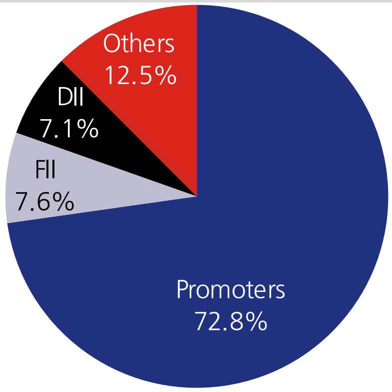
Source: Company, JM Financial

Shareholding pattern

Promoter stake of 72.8%

- Grasim is the majority shareholder and directly owns 55.99% of ABCL's equity shares, with another 16.77% owned by other promoters and the promoter group. ABCL also benefits from being a part of ABG. ABCL is the Group's holding company for financial services, and remains critical, given the growth opportunities in this sector.

Exhibit 102. Shareholding pattern



Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE), National Stock Exchange of India Ltd. (NSE) and Metropolitan Stock Exchange of India Ltd. (MSEI). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and members of their household are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Persons who receive this report from JM Financial Singapore Pte Ltd may contact Mr. Ruchir Jhunjhunwala (ruchir.jhunjhunwala@jmfl.com) on +65 6422 1888 in respect of any matters arising from, or in connection with, this report.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

JM Financial Institutional Securities only accepts orders from major U.S. institutional investors. Pursuant to its agreement with JM Financial Institutional Securities, JM Financial Securities effects the transactions for major U.S. institutional investors. Major U.S. institutional investors may place orders with JM Financial Institutional Securities directly, or through JM Financial Securities, in the securities discussed in this research report.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.