



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

Company details

Market cap:	Rs. 64,000 cr
52-week high/low:	Rs. 251/149
NSE volume: (No of shares)	45.0 lakh
BSE code:	540691
NSE code:	ABCAPITAL
Free float: (No of shares)	71.12 cr

Shareholding (%)

Promoters	68.84
FII	7.83
DII	9.79
Others	13.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	19.7	51.1	24.6	5.0
Relative to Sensex	19.6	39.6	23.1	-2.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Aditya Birla Capital Ltd

Strong outlook across business segments

NBFC	Sharekhan code: ABCAPITAL		
Reco/View: Positive	↔	CMP: Rs. 246	Upside potential: 22%
↑ Upgrade	↔ Maintain	↓ Downgrade	↑

Summary

- Rising asset quality and margins (led by improvement in the unsecured portfolio's mix and moderating cost of funds) remain the key catalysts for higher RoA in FY26E for the NBFC business. Besides, growth outlook remains strong at ~25%.
- HFC business is also exhibiting robust growth and outlook stays strong. Additionally, there is a scope for improvement in operating leverage that should aid gradual improvement in the HFC business' RoA.
- Life insurance business eyes a 17-18% EV growth, driven by a 20% retail APE increase and stable VNB margins. Health insurance expects better profitability led by lower combined ratio. AMC business to benefit from industry tailwinds over the medium to long term.
- Strong outlook across business segments drives our positive view on company with a revised SoTP-based PT to Rs. 300, indicating a potential upside of ~22%.

FY25 numbers were healthy and Aditya Birla Capital Ltd (AB Capital) is reasonably confident of delivering a ~25% rise in NBFC AUMs led by rapid growth in SME and corporate loan and a gradual pick-up in the unsecured segment. Improving asset quality and margins (led by improvement in unsecured portfolio mix and moderating cost of funds) remains a key catalyst to achieve higher RoA in FY26E. The HFC business continues to report strong growth momentum (69% y-o-y). RoA of the HFC business is expected to improve to ~2.0% in the next 8-10 quarters from 1.5% in FY25 led by improving operating leverage as opex has been elevated due to increased investments in the past. Life insurance business aims for 17-18% EV growth, driven by a 20% retail APE increase and stable VNB margins. Health insurance expects better profitability led by lower combined ratio. AMC business is expected to benefit from industry tailwinds over the medium to long term. We expect a consolidated PAT CAGR of ~22% over FY25-27E. RoE is expected to grow at 14.1% in FY27 from 11.8% in FY2025 driven by an uptick in growth, operating leverage, benign credit costs, and better return ratios across lending business.

- NBFCs: Growth uptick and return ratio improvement likely:** The NBFC segment reported a healthy AUM growth of 19.6% y-o-y to Rs. 126,351 crore in FY25. Further the management is reasonably confident of delivering a ~25% AUM growth led by faster growth in SME, corporate loans and gradual uptick in the high-margin unsecured loan segment in FY26E. NIMs stood at 6.22% in FY25 contracted from 6.9% in FY24 as contribution of unsecured segment (high margin) reduced to 12% in FY25 from ~19% in FY23 due to focus on asset quality and calibrated growth. Asset quality improved. GS-3 reduced from 2.4% in FY24 to 2.24% in FY25 and a further reduction is expected in FY26. Thus, Improving asset quality and margins (led by improvement in unsecured portfolio mix and moderating cost of funds) remains a key catalyst to achieve higher RoA in FY26E.
- HFC segment: Robust growth likely to sustain and on track to achieve aspirational RoA:** HFC segment saw robust AUM growth at 69% to Rs. 31,053 crore in FY25. Further, strong growth is expected to sustain in FY26 and FY27. RoA is expected to improve to ~2.0% in the next 8-10 quarters from 1.5% in FY25 led by improving operating leverage as opex has been high due to increased investments in the past. Gradual reduction in cost to assets is expected to 1.7-1.8% from current levels of ~2.1% in FY25. Asset quality has improved, and gross stage-3 assets stood at 0.66% as of March 2025. Further, stable asset quality is expected in FY26.
- Other businesses:** Life insurance business has delivered strong growth with healthy profitability despite implementation of new surrender regulations in FY25. It is aiming for 17-18% EV growth, driven by 20% retail APE increase and stable VNB margins. Health insurance business is maintaining a strong growth momentum with improving operating performance. It further expects better profitability led by lower combined ratio. The AMC business is delivering steady operating performance amid a volatile equity market.

Our Call

Valuation - Stay positive; revised PT to Rs. 300, expect upside of 22%: AB Capital reported healthy performance across business segment despite challenging macros led by an improvement in operational metrics in FY25. Now the business environment is turning favourable led by policy tailwinds suggesting notable improvement in profitability. Thus, strong outlook across each business segments drives our positive view on company with a revised SoTP-based PT to Rs. 300 indicating a potential upside of ~22%. Consolidated PAT CAGR is expected at ~22% over FY25-27E and RoE is to expand to 14.1% in FY27 from 11.8% in FY25.

Key Risks

Slower growth, asset quality risk, lower margins.

Valuation (Consolidated)

	Rs cr				
Particulars	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,624	3,975	4,950	6,201	7,862
PAT	4,824	3,439	3,337	3,946	5,036
EPS (Rs.)	11.2	12.85	12.62	15.2	19.4
P/E (x)	22.0	19.1	19.5	16.2	12.7
P/BV (x)	2.9	2.4	2.1	1.9	1.7
RoE (%)	11.5	11.2	11.8	12.5	14.1

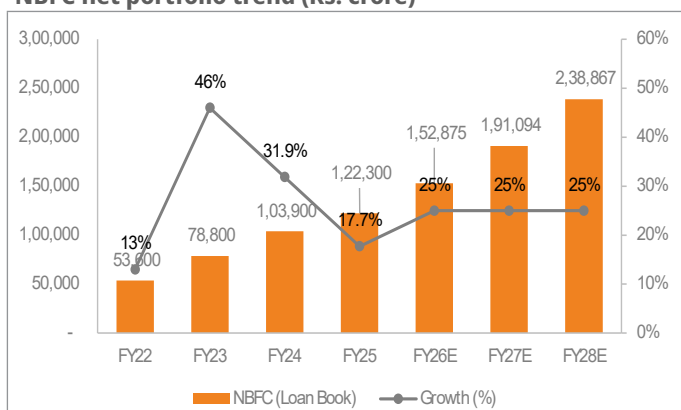
Source: Company; Mirae Asset Sharekhan estimates

SoTP based valuation

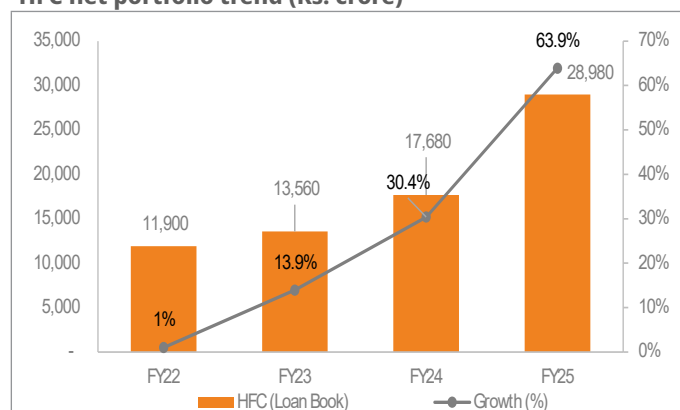
Entity	Ownership	Value Per share (Rs.)
NBFC	100%	164
HFC	100%	31
AMC	45%	36
Life Insurance	51%	49
Health Insurance	46%	17
AB Money	74%	2
Target Price		300

Source: Company; Mirae Asset Sharekhan Research

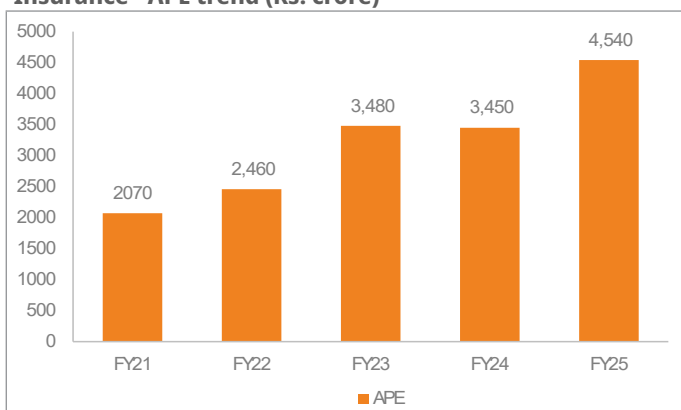
Financials in charts

NBFC net portfolio trend (Rs. crore)


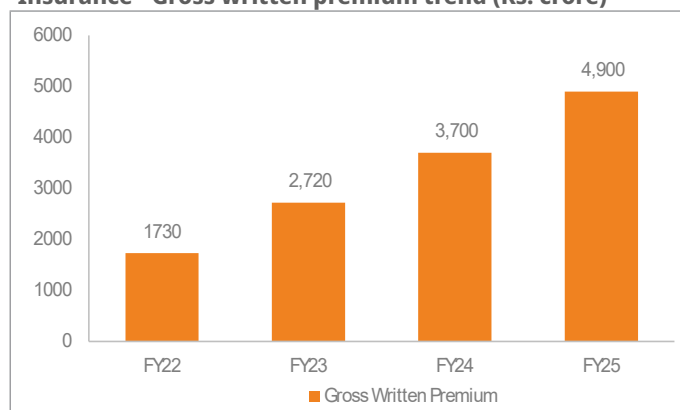
Source: Company; Mirae Asset Sharekhan Research

HFC net portfolio trend (Rs. crore)


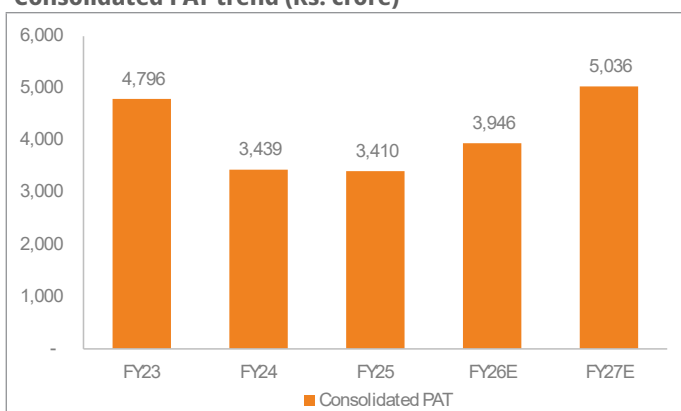
Source: Company; Mirae Asset Sharekhan Research

Insurance - APE trend (Rs. crore)


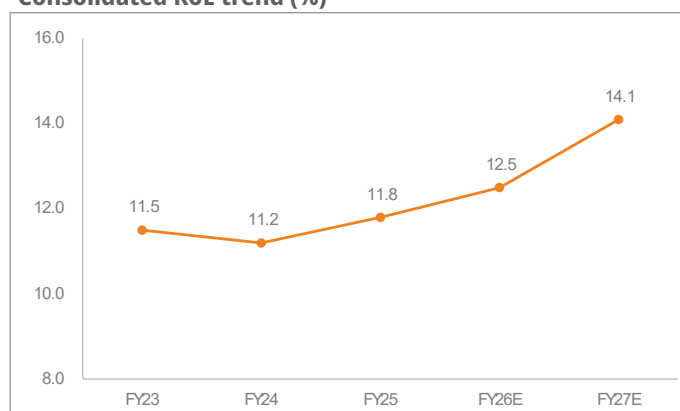
Source: Company; Mirae Asset Sharekhan Research

Insurance - Gross written premium trend (Rs. crore)


Source: Company; Mirae Asset Sharekhan Research

Consolidated PAT trend (Rs. crore)


Source: Company; Mirae Asset Sharekhan Research

Consolidated RoE trend (%)


Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Prospects getting brighter

NBFCs have become important constituents of India's financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) in the past few years. They continue to leverage their superior understanding of regional dynamics and customised products and services to expedite financial inclusion. Lower transaction costs, innovative products, quick decision-making, customer orientation and prompt service standards have typically differentiated NBFCs from banks. Considering NBFCs' reach, these are well-suited to bridge the financing gap in a large country like India. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians. Policy initiatives taken by the regulator like reducing repo rate, increasing liquidity into the system and among others are expected to create healthy demand and benefits to the sector.

■ Company Outlook – Better times ahead

The company's businesses are well-diversified and spread across the financial landscape. We expect a consolidated PAT CAGR of ~22% over FY25-27E. Its RoE is expected to rise to 14.1% in FY27 from 11.2% in FY2024 driven by an uptick in growth, operating leverage, benign credit costs, and better return ratios across lending business. In the life insurance business, the management targets a retail APE CAGR of ~20% over the next 2 years and ~17-18% VNB margin. With a focus on profitability, the management plans to aggressively expand the Health Insurance franchise while improving the combined ratio. The AMC business is delivering steady operating performance amid volatile equity market.

■ Valuation – Stay positive; revised PT to Rs. 300, expect upside of 22%

AB Capital reported healthy performance across business segment despite challenging macros led by an improvement in operational metrics in FY25. Now the business environment is turning favourable led by policy tailwinds suggesting notable improvement in profitability. Thus, strong outlook across each business segments drives our positive view on company with a revised SoTP-based PT to Rs. 300 indicating a potential upside of ~22%. Consolidated PAT CAGR is expected at ~22% over FY25-27E and RoE is to expand to 14.1% in FY27 from 11.8% in FY25.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)	
			FY24	FY25E	FY24	FY25E	FY24	FY25E
AB Capital	246	64,000	16.2	12.7	1.9	1.7	12.5	14.1
Bajaj Finance	9,424	587,000	27.8	22.3	5.0	4.3	20.0	20.9

Source: Company; Mirae Asset Sharekhan Research

About company

Aditya Birla Capital Limited ("ABCL") is a listed systemically important non-deposit taking NBFC and the holding company of the financial services businesses. Through its subsidiaries/JVs, ABCL provides a comprehensive suite of financial solutions across Loans, Investments, Insurance, and Payments to serve the diverse needs of customers across their lifecycles. Powered by over 59,000 employees, the businesses of ABCL have a nationwide reach with over 1,482 branches and more than 200,000 agents/channel partners along with several bank partners. As of December 31, 2024, Aditya Birla Capital Limited manages aggregate assets under management of over Rs. 5.03 Lakh Crore with a consolidated lending book of over Rs 1.46 Lakh Crore through its subsidiaries/JVs.

Investment theme

The company's businesses are well-diversified spread across the financial landscape. We expect a consolidated PAT CAGR of ~22% over FY25-27E. RoE is expected to grow at 14.1% in FY27 from 11.8% in FY2025 driven by uptick in growth, operating leverage, benign credit costs, and better return ratios across lending business. The policy tailwinds like reduction in the repo rate (third time in a row from 6.5% to 5.5%) will help to expand NIM and increase volume growth also it will increase liquidity in to the system due to reduction in the CRR will lead for easy accessibility of the capital. In the life insurance business, the management targets retail APE CAGR of ~20% over the next 2 years and ~17-18% VNB margin, which is likely to be driven by repricing-led impact, increased attachment of rider benefits, and productivity improvements. With a focus on profitability, the management plans to aggressively expand the Health Insurance franchise while improving the combined ratio. AMC business is delivering steady operating performance amid volatile equity market.

Key Risks

Slower-than-anticipated loan book growth, pressure on margins, asset quality deterioration.

Additional Data

Key management personnel

Name	Designation
Visakha Mulye	CEO & MD
Pinky Mehta	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Grasim Industries Ltd	52.50
2	Birla Group Holdings Pvt Ltd	8.51
3	JOMEI INV LTD	3.83
4	PI OPPORTUNITIES FUND I	3.04
5	Essel Mining & Industries Ltd	2.06
6	Life Insurance Corp of India	1.97
7	Hindalco Industries Ltd	1.51
8	Surya Kiran Investments Pte Ltd	1.44
9	Pilani Investment & Industries Cor	1.29
10	Vanguard Group Inc/The	1.22

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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