

Aditya Birla Capital Ltd.

₹157

A leading financial Conglomerate...!!! Buy



Apr 06, 2018

Company Background

Aditya Birla Capital Limited, is the holding company for all the financial service businesses of the Aditya Birla Group. With a strong presence in life insurance, asset management, private equity, corporate lending, structured finance, general insurance, wealth management, equity, currency and commodity broking, online personal finance, housing finance, pension fund management and health insurance business. It is committed to serve end-to-end financial services needs of its retail and corporate customers. ABC ranks among top 5 fund managers in India excluding LIC, with an AUM of ₹ 2,463 bn as on March 31st, 2017 and has a lending book of ₹ 388 bn. It reported aggregate revenue from businesses at ₹106 bn. ABC has a nationwide reach through over 1,300 points of presence and more than 142,000 agents/channel partners. ABC is a part of the Aditya Birla Group, a \$ 40 bn Indian multinational in the league of Fortune 500. Anchored by an extraordinary force of over 120,000 employees, belongs to 42 nationalities, Aditya Birla Group operates in 36 countries across the globe. Nearly 50 % of its revenues flow from its overseas operations.

Key Highlights

- ➔ For 2016-17 Operating Income was rose by 376.3% to ₹ 350.1 mn, gross profit increased by 292% to ₹ 49 mn and net profit was posted to ₹ 42.2 mn on yearly basis.
- ➔ ABC expects to start the asset reconstruction business by end of March 2018 and got the approval from the RBI, this business is under its subsidiary Aditya Birla ARC Ltd.
- ➔ Company planing to invest ₹ 10 bn every year to push up its retail and SME loan book, administrated by Non-Banking Finance company and Housing Finance company.
- ➔ It expects retail and SMEs are thrust areas, and shares of that sectors will grow by more than 40% in 2-3 years.
- ➔ Geographical expansion by 33 new branches to reach total 72 branches by Q1 FY 19 to increase the presence in tire 2 and 3 cities to achieve 85% of SME sector revenue.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	45.1	73.5	350.3
Rev. growth (%)	28.86	62.97	376.60
EBITDA (INR mn)	(540.3)	(483.4)	12.6
Net profit (INR mn)	(485.6)	(4.8)	42.4
Shares outstanding (mn)	19,146.2	25,336.2	12,322.4
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	0.00	0.00	0.00
P/E (x)	0.00	0.00	1051.67
RONW (%)	0.00	0.00	0.14
ROCE (%)	0.00	0.00	0.11

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Info Codes

Reuters	: N/A
Bloomberg	: ABCAP IN
NSE	: ABCAPITAL
BSE	: 540691

Market Data

52 Wk Range (₹)	: 144/264
Shares in Issue (mn)	: 12,322.4
Market. Cap (bn)	: 346.12
BSE 2 Wk Avg Vol	: 459000

Share Holding Pattern (%)

Promoters Holding	: 72.76
Public & Others	: 09.29
Corporate Holding	: 02.72
Foreign Institution	: 08.11
Institutions	: 07.12
Government	: 00.00

Investment Theme

Aditya Birla Capital Limited, is the holding company, created to buy & own the shares of other companies, which it then controls. Holding companies allow the reduction of risk for the owners. Company has 4 types of products; protecting, investing, Financing and Advising. Life, Health, Motor and travel insurance are protecting products. Under investing Mfs, Wealth Management, Portfolio Management services, Pension Funds and Stock & Securities are the products. Home finance, Personal Finance, SME Finance, Real estate finance and loan gainst securities are the products in financing. Out of all those products Financing is a major revenue contributor. During the year 3rd quarter it get RBI approval to start ARC and 1st quarter Birla Group had receive licence from the RBI to start payments bank.

Diversified portfolio of 12 business lines...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Operating Income	44.1	73.5	66.7	350.1	376.3
Other Income	1.0	0.0	(100.0)	0.2	0.0
Operating Exp.	13.2	24.0	81.8	53.9	124.6
Misc. Expenses	434.8	1.3	(99.7)	2.7	107.7
Employee Exp	80.4	35.7	(55.6)	244.5	584.9
Total Expenditure	528.4	61.0	(88.5)	301.1	393.6
Gross Profit	(484.3)	12.5	(102.6)	49.0	292.0
Intgerest	0.0	0.0	0.0	5.4	0.0
Depreciation	2.2	0.3	(86.4)	1.4	366.7
PBT	(486.5)	12.2	(102.5)	42.2	245.9
Taxes	0.0	17.1	0.0	0.0	(100.0)
Reported Net Profit	(486.5)	(4.8)	(99.0)	42.2	(961.2)
Extra Ord Items	(433.4)	0.0	(100.0)	0.2	0.0
Adjusted Net Profit	(52.2)	(4.8)	(90.8)	42.2	(979.2)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	15,276.4	21,602.0	31,297.1	51,038.7
Equity Share capital	15,935.1	19,146.2	25,336.2	12,322.4
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	(658.7)	2,455.8	5,960.9	33,786.6
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	0.0	0.0	0.0	4,929.7
USES OF FUNDS	15,276.4	21,602.0	31,297.1	51,038.7
Gross Block	6.6	12.2	22.9	57.3
Less : Accumulated Depreciation	6.2	7.2	11.5	19.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Net Block	0.4	5.0	11.4	37.6
Capital Work in Progress	0.0	0.0	0.0	46.7
Investments	15,268.4	21,587.6	31,163.5	50,839.5
Current Assets	16.5	276.9	235.5	548.0
Less : Current Liabilities	9.9	313.5	166.0	515.4
Total Net Current Assets	6.6	(36.6)	69.5	32.6
Misc. Expenses not writtenoff	1.0	46.0	52.7	82.3
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	16.4	223.8	204.2	523.3
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Operating Income	266.2	97.2	102.2	1,424.8
Other Income	0.0	0.0	0.0	0.0
Total Income	266.2	97.2	102.2	1,424.8
Interest	5.3	84.5	59.3	41.4
Employee Exp.	105.4	21.8	31.0	100.7
Other Expenses	36.1	19.0	26.4	436.5
Operating Exp.	146.8	125.3	116.7	578.6
Operating Profit	119.4	(28.1)	(14.5)	846.2
Provisions & Write Offs	0.0	0.0	0.0	0.0
Depreciation	0.0	0.6	1.9	0.9
Profit Before Tax	119.4	(28.7)	(16.4)	845.3
Taxes	0.0	0.0	0.0	0.0
Extra-ordinary Items	0.0	0.0	0.0	0.0
Adjusted Net Profit	119.4	(28.7)	(16.4)	845.3

52 Week Index Relative Percentage Appreciation

AB Capital vs SENSEX
Risks Associated

- ➔ Company is group holding company any turmoil in the group or any company, it may directly reflect on the share prices of the company.
- ➔ Company's income is mainly from the dividends that may be receivable on investments held by it/may be held in future. If any adverse impact on the shares held by company, that impact adversely on profit.

Scope of Growth

- ➔ For Q3 operating income improved drastically to ₹ 1,424.8 mn, operating profit and net profit both are rose to ₹ 846.2 mn and ₹ 845.3 mn respectively on QoQ basis.
- ➔ For 2016-17 company earned revenue ₹ 350.10 mn, out of 95.65% is from dividends and remaining is from Interest, sale of Investments.
- ➔ Aditya Birla Housing Finance Ltd focused on increasing geographical presence, targeting to add 8 new branches to 50 branches by Mar 2018.
- ➔ Aditya Birla Sun Life Insurance Company Ltd augmented distribution by agency channel, HDFC Bank tie-up from July 2017 and non agency channels.
- ➔ Aditya Birla Health Insurance Company Ltd access the market by agency channel with 8821 agents across 43 branches, bank tie-ups with HDFC bank, DCB, RBL, Deutsche Bank and AU Small Finance Bank and finally tie-up with more than 3,000 hospitals across 465 cities.
- ➔ If the holding company has more than 80% of share holding in any subsidiary, then the company is eligible for tax free dividends.
- ➔ Some times holding company also benefits from the subsidiary's goodwill and reputation, while being sheltered from risks faced by the subsidiary in the case of legal issues, tax liabilities and lawsuits.

In a Nutshell

Aditya Birla Capital, is the holding company for all financial services of Aditya Birla Group. Group has different business segments like; NBFC, Asset Management, Insurance Broking, Life Insurance, Equity and commodity Broking, Health Insurance and other financial services. For 2016-17 company's consolidated revenue is ₹ 58,858.7 mn out of all segments NBFC is a major revenue contributor. During the year company acquired 969,616,080 equity shares of Birla Sun Life Insurance Company. It's a 51% of share capital of Birla Sun Life Insurance, from Aditya Birla Nuvo Limited. Aditya Birla Nuvo Ltd is a holding company for Aditya Birla Capital Ltd, after obtaining requisite approvals from RBI and IRDA.

Chart for funds holding

Name of the Fund	Market Value in Cr.	No of Shares	% Holding
Birla Sun Life Mutual Fund	124.29	72,74,635	0.06
Canara Robeco Mutual Fund	25.17	14,72,980	0.21
IDBI Mutual Fund	1.08	63,000	0.01
IDFC Mutual Fund	6.14	3,59,391	0.01
IIFL Mutual Fund	5.13	3,00,000	0.68
Reliance Mutual Fund	14.10	8,25,080	0.01

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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