

**CMP : Rs.1094**

**STOCK INFO**

BSE	500303
NSE	ABIRLANUVO
Bloomberg	ABNL IN
Reuters	ABRL.BO
Sector	Diversified
Face Value (Rs)	10
Equity Capital (Rs Mn)	1135
Mkt Cap (Rs Mn)	112,962
52w H/L (Rs)	1143/710
Avg Daily Vol (BSE+NSE)	156,741

**SHAREHOLDING PATTERN**

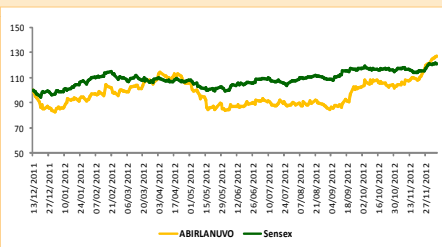
(as on 30th Sep. 2012)	
	%
Promoter	51.0
FII	17.8
DII	12.7
Others	18.5

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
ABIRLANUVO	15	43	24
SENSEX	4	7	21

Source: Capitaline, IndiaNivesh Research

**ABIRLANUVO v/s SENSEX**



Source: Capitaline, IndiaNivesh Research

**Daljeet S. Kohli**, Head of Research  
Mobile: +91 77383 93371, 99205 94087  
Tel: +91 22 66188826  
[daljeet.kohli@indianivesh.in](mailto:daljeet.kohli@indianivesh.in)

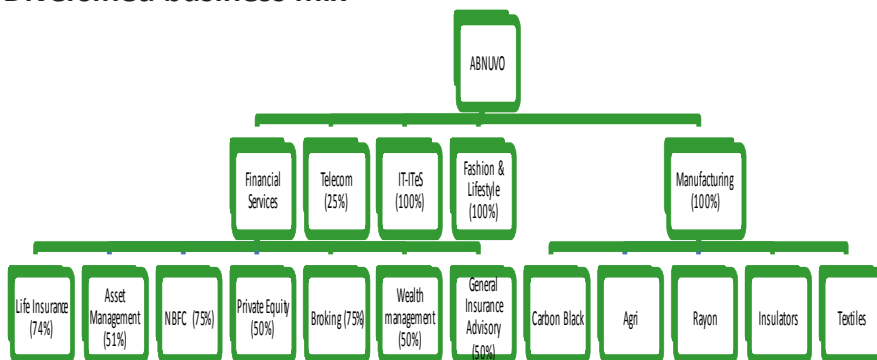
**Amar Mourya**, Research Analyst  
Tel: +91 22 66188836  
[amar.mourya@indianivesh.in](mailto:amar.mourya@indianivesh.in)

**Yogesh Hotwani**, Research Analyst  
Mobile: +91 77383 93411  
Tel: +91 22 66188834  
[yogesh.hotwani@indianivesh.in](mailto:yogesh.hotwani@indianivesh.in)

## Company Background

Aditya Birla Nuvo Ltd (ABNUVO) is USD 4.5 bn diversified business conglomerate having presence in Financial services (Life insurance, Asset management, NBFC, Private Equity, Broking, Wealth management and Insurance broking), Telecom, IT & ITes, Fashion & Life style and Manufacturing. Company's financial services business is ranked amongst top 5 private fund managers in India and telecom business is ranked 10<sup>th</sup> globally with regards to total minutes of use on network.

### Diversified business mix



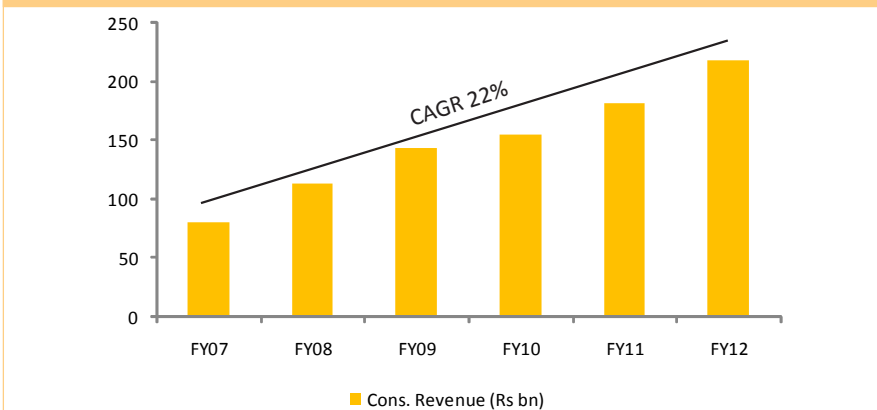
Source: Company Filings; IndiaNivesh Research

### Business update:

Consolidated revenues of the group grew by 22% CAGR over FY07-12 backed by healthy growth in telecom and Fashion & Lifestyle of 24% and 17% CAGR respectively over the same period. Financial services, IT & ITes and Manufacturing grew by 13%, 4% and 15% respectively during this period. In Q2FY13, revenues grew by 12% yoy to Rs 59.9 bn due to degrowth in financial services on back of shrinking insurance premium income. However telecom, IT & ITes and manufacturing business grew reasonably by 15%, 31% and 33% yoy respectively. Further 29% of company's revenues come from financial services and manufacturing business and remaining is from telecom (23%), Fashion & Lifestyle (10%) and IT & ITes (9%).

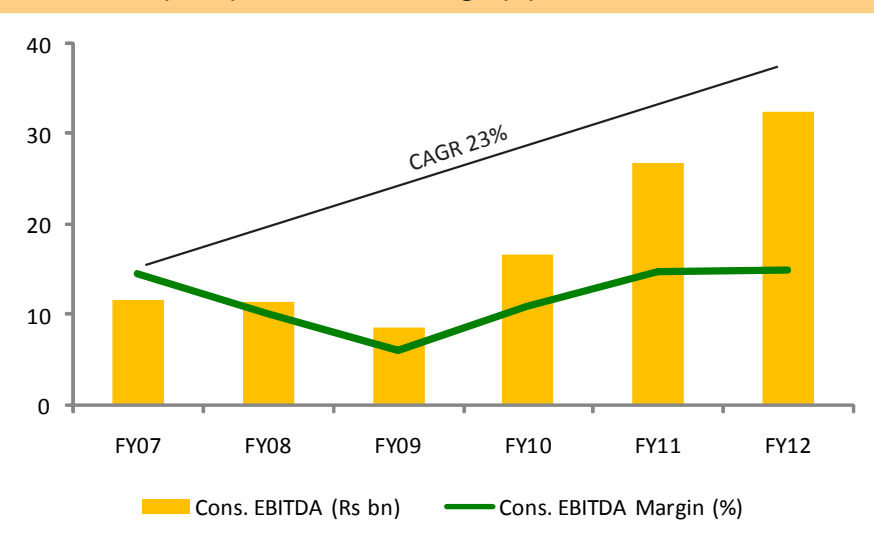
Consolidated EBITDA grew by 23% yoy to Rs 33 bn in FY07-12 on back of impressive EBITDA growth in telecom, insurance and IT & ITes business. Cons. EBITDA margins have improved from 11% in FY10 to 14.9% in FY12. In Q2FY13, EBITDA grew by 30% yoy to Rs 10 bn and EBITDA margins improved further to 17%.

### Cons. Revenue (Rs bn)



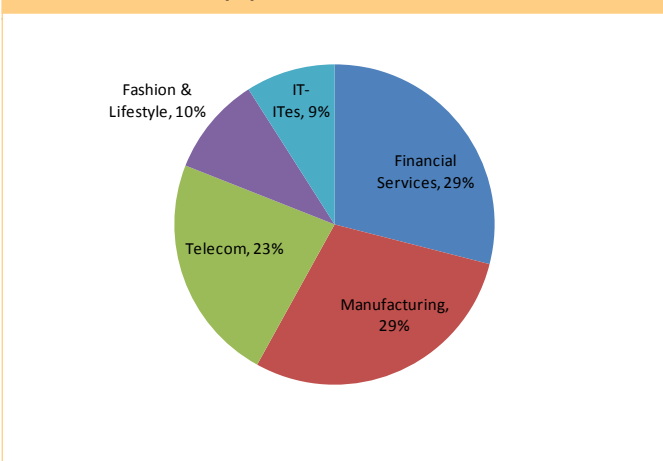
Source: Company Filings; IndiaNivesh Research

Cons. EBITDA (Rs bn) / Cons. EBITDA Margin (%)



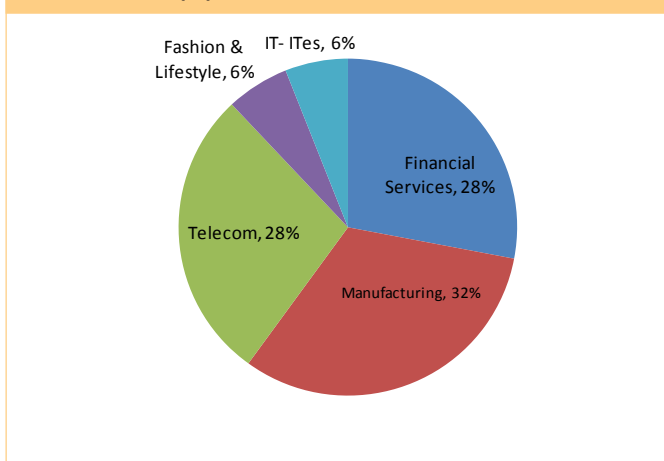
Source: Company Filings; IndiaNivesh Research

FY12 Revenue Mix (%)



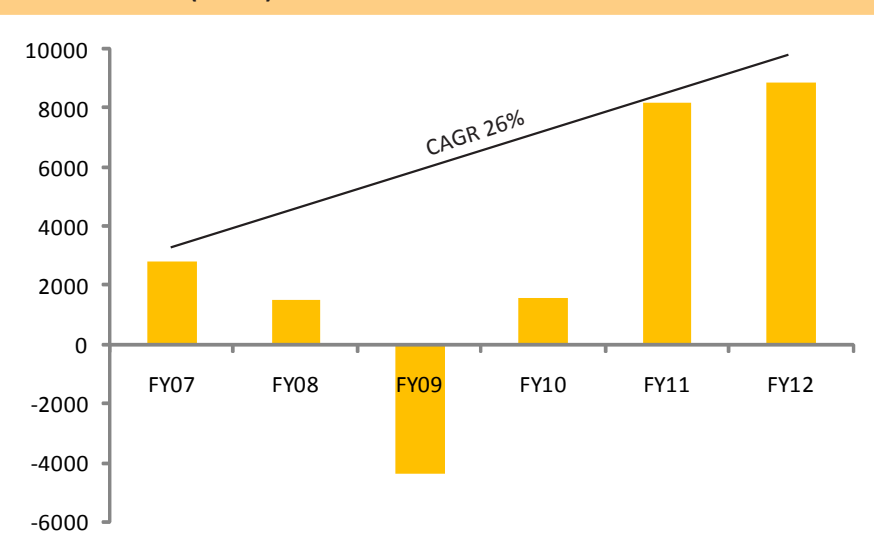
Source: Company Filings; IndiaNivesh Research

FY12 EBIT Mix (%)



Source: Company Filings; IndiaNivesh Research

Cons. Net Profit (Rs mn)



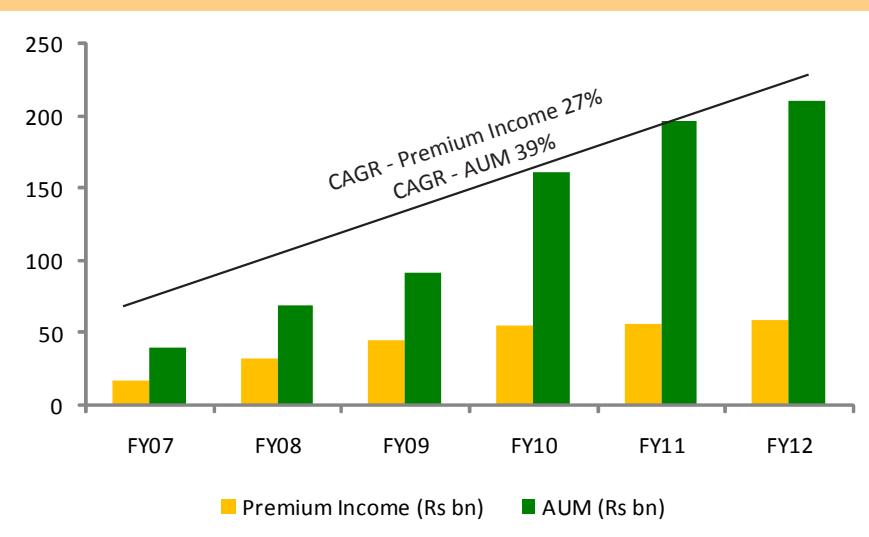
Source: Company Filings; IndiaNivesh Research

## Financial Services

26% of total consolidated revenue

**Insurance business:** Birla Sun Life Insurance (BSLI) is ranked 5<sup>th</sup> top insurer in India with market share of 7.7% as on September 2012 based on individual new business. It has over 650 branches, 139000 direct selling agents, 5 bancassurance partners and 200 corporate agents and brokers. Strong distribution reach, higher cost efficiency along with product innovation has been the key driver for business growth for BSLI. Premium income has delivered a CAGR of 27% in FY07-12 while Asset under management (AUM) increase of 39% over the same period. In Q2FY13, new business premium was impacted and declined to Rs 3660 mn as against Rs 4790 mn in Q2FY12.

Premium Income (Rs bn) / AUM (Rs bn)



Source: Company Filings; IndiaNivesh Research

**Asset management business:** Birla Sun Asset Management (BSAM) is the 4<sup>th</sup> top fund house in India with market share of 9.8% as on September 2012 (as against 9.2% in FY12). 85% of AUM is 4 and 5 star category funds. It has posted a robust AUM growth of 20% yoy to Rs 152.3 bn.

**NBFC business:** Aditya Birla Finance (ABF) is the non banking financing arm of ABNUVO providing finance on Loan against securities, IPO finance, Corporate finance and Infra funding. Company's loan book has doubled to Rs 52 bn in Q2FY13 as compared to Q2FY12. Net profit jumped by 157% and 38% yoy to Rs 180 mn and Rs 220 mn in Q1FY13 and Q2FY13 respectively.

**Other financial business:** Aditya Birla Private Equity (ABPE) is the private equity fund business which has deployed 50% of its maiden fund of Rs 8.8 bn in companies like Anupam Industries, BSE, CARE, GEI industry and Alphoin india Pvt Ltd. Fund propose to invest with target of minority stake in unlisted, midcap, high growth and are sector agnostic. In Q2FY13 revenues grew by 13% yoy to Rs 60 mn.

Aditya Birla Money (ABM) is the broking arm of ABNUVO having 800 touch points including franchises servicing 0.3 mn customers across 150 cities. ABM has gained an all time high retail market share in commodity and equity broking business in FY12 since inception. Retail cash equity market share of the company has increased to 1.5% in FY12 from 1% in FY11 and commodity broking market share from 0.28 to 0.44% over the same period. ABM's revenues declined by 10% yoy to Rs 210 mn.

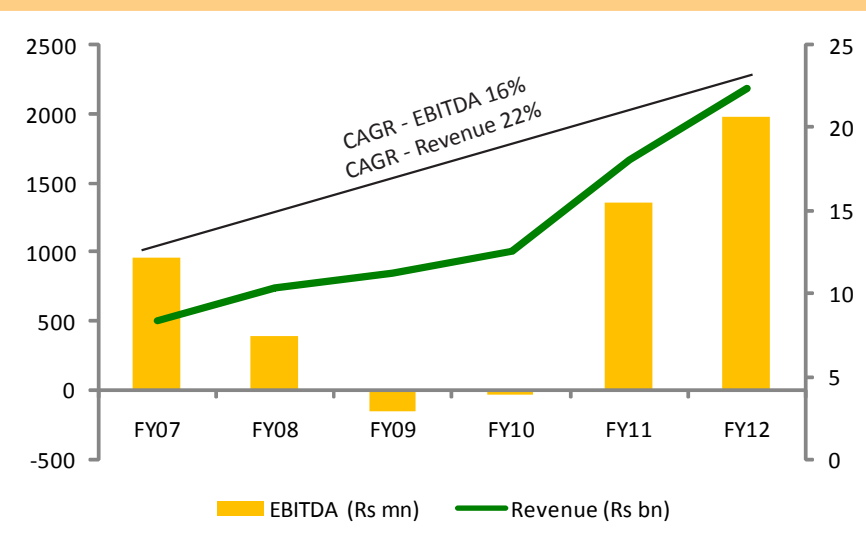
Aditya Birla Money Mart (ADMM) is the wealth management business having average asset under advisory of Rs 165 bn as on September 2012. ABMM is the 2<sup>nd</sup> largest corporate distributor for mutual funds based on average asset under advisory having 32 branches and around 14000 channel partners. ABMM's revenues were muted at Rs 170 mn for Q2FY13.

## Retail Business

10% of total consolidated revenue

Madura Fashion & Lifestyle (MFL) is the retail business arm which has migrated its business model from shirts to lifestyle proposition. MFL's apparel brands include Louis Philippe, Van Heusen, Allen Solly and Peter England. Company's revenues increased by 22% CAGR over FY07-12 driven by brand leadership and improved product mix. Retail channel contribute 44% to revenues and remaining 36% is contributed by wholesale while 20% comes from other channels.

Revenue (Rs bn) / EBITDA (Rs mn)



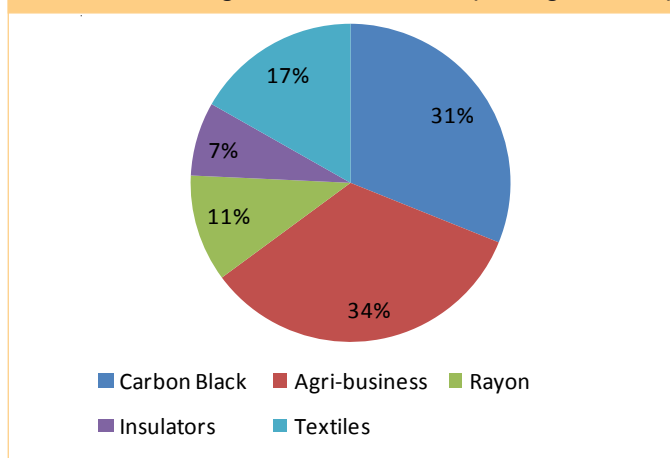
Source: Company Filings; IndiaNivesh Research

## Manufacturing

29% of total consolidated revenue

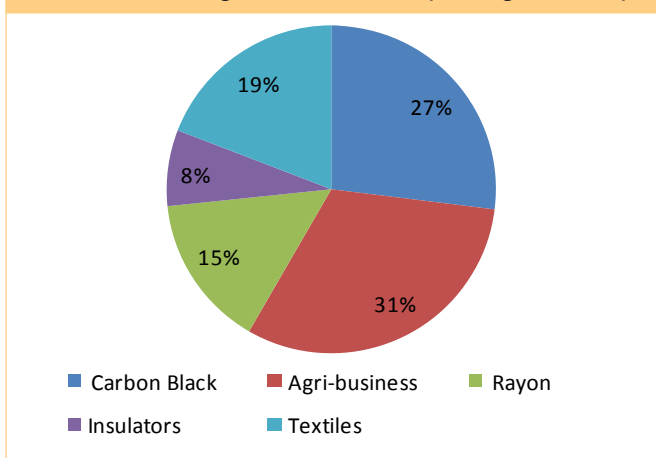
ABNUVO's manufacturing business contributed nearly 29% / 32% to total Revenue / EBITDA in FY12 (v/s 26%/41% in FY11). The business has five sub-segments such as: Carbon Black, Agri-business, Rayon, Insulators and Textiles.

FY12 - Manufacturing: Revenue Contribution (Sub-Segment Wise)



Source: Company Filings; IndiaNivesh Research

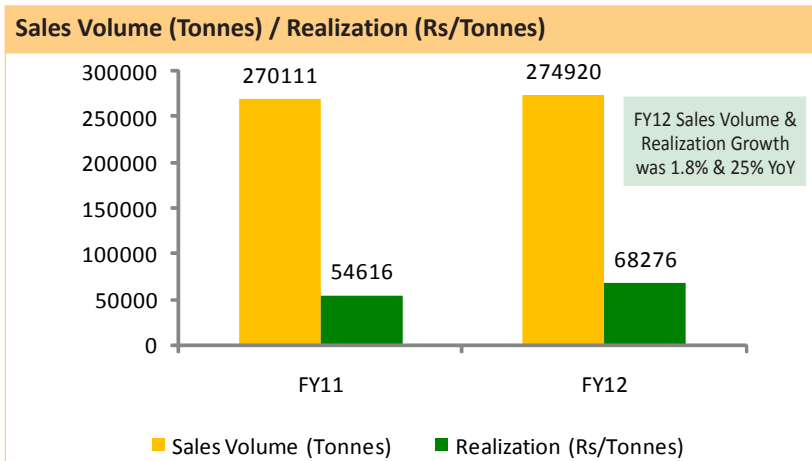
FY12 - Manufacturing: EBIT Contribution (Sub-Segment Wise)



Source: Company Filings; IndiaNivesh Research

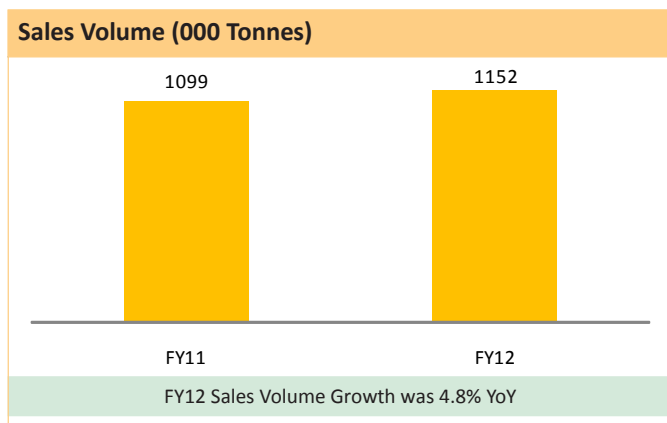
- Carbon Black (Hi-Tech Carbon)** – The business holds leadership position globally in terms of capacity (2 mn metric tonne per annum) - operating in 12 countries through 17 plants globally. ABNUVO is the second largest producer of carbon black in India (39% production share). Lower off take, higher input cost and sharp volatility in crude oil prices impacted profitability across industry during FY12. The domestic industry is also impacted from imported

carbon black from China. However, to safeguard domestic players Finance Ministry has imposed 25% anti dumping duty till 31<sup>st</sup> Dec. 2013. This duty is applicable on carbon black used in rubber applications (including tyres). The rubber and tyre consumes ~80% of the total Carbon Black produced worldwide. The carbon Black business contributed nearly 31%/27% to manufacturing segment revenue/EBIT in FY12. However, at the company level segment contributed ~8.9%/8.6% to revenue/EBIT over same period.

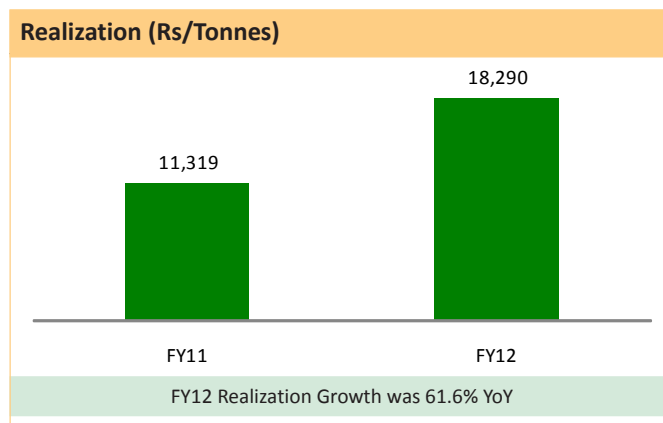


Source: Company Filings; IndiaNivesh Research

2. **Agriculture (Indo Gulf Fertilisers)** – Indo Gulf Fertilisers hold 10-20% of Urea market share in Uttar Pradesh, Bihar, Jharkhand and West Bengal. The company also provides agri-solutions like seeds and pesticides. Agri-business contributed nearly 34%/31% to manufacturing Revenue/EBIT in FY12. However, at ABNUVO level agri segment contributed ~9.6%/10.0% to revenue/EBIT over same period.



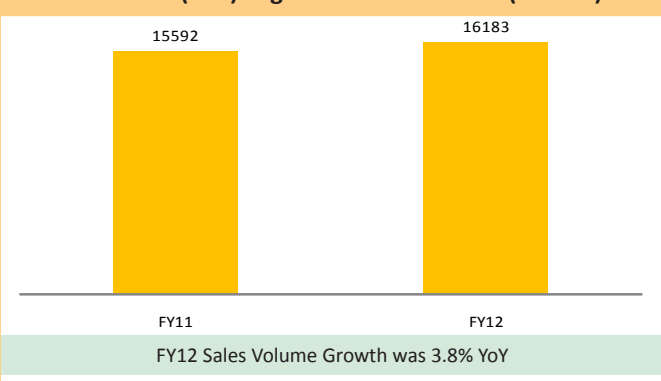
Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research

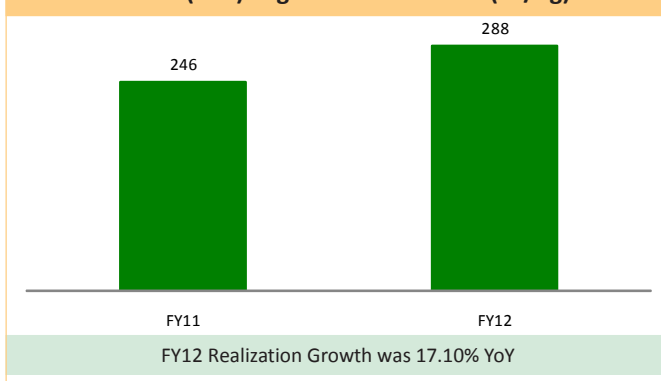
3. **Rayon (Indian Rayon)** – India Rayon is second largest producer of Viscose Filament Yarns (VFY) in India (~39% domestic production share) and largest VFY exporter from India (>50% share). The company has total capacity of 17,520 Tonnes Per Annum (TPA) in VFY segment and Caustic soda capacity of 250 Tonnes Per Day (TPD). Further, the company has captive power unit of 34.5MW capacity. In FY12, business segment contributed 11%/15% to manufacturing revenue/EBIT. To increase its presence in fine and superfine VFY, the company incurred a capex of nearly Rs.2700 mn (likely to be operational by Q4FY13). It also expanded the caustic soda facility by 125 TPD (likely to operational by FY14) at a capex of Rs.1550 mn. The VFY/Caustic Soda contributed 69%/31% of total Rayon Segment in FY12. However, at ABNUVO level, rayon segment contributed ~3.1%/4.8% to revenue/EBIT over same period.

## Filament Yarns (VFY) Segment: Sales Volume (Tonnes)



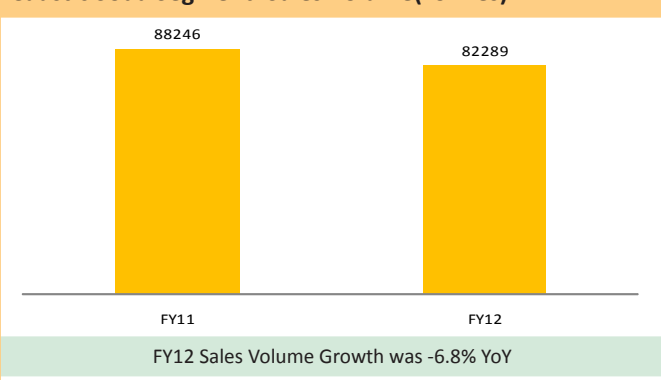
Source: Company Filings; IndiaNivesh Research

## Filament Yarns (VFY) Segment: Realisation (Rs/Kg)



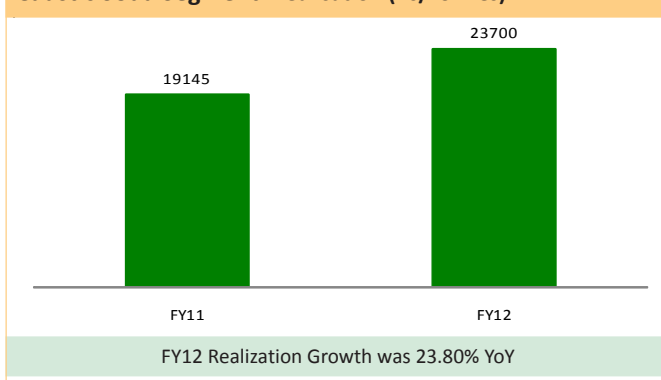
Source: Company Filings; IndiaNivesh Research

## Caustic Soda Segment: Sales Volume(Tonnes)



Source: Company Filings; IndiaNivesh Research

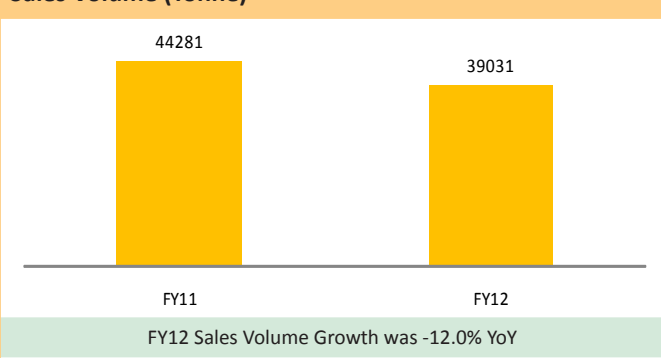
## Caustic Soda Segment: Realisation (Rs/Tonnes)



Source: Company Filings; IndiaNivesh Research

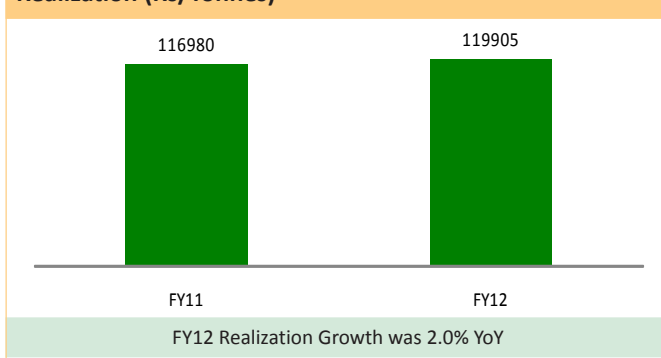
4. **Insulators (Aditya Birla Insulators)** – Insulators are used in power generation, Transmission & distribution (T&D) and by Original Equipment Manufacturers (OEMs). Indian insulators market size is expected to grow multifold led by 100 GW power capacity addition planned in XII-Five Year Plan (2012-2017). Aditya Birla Insulators is largest domestic producer and 4th largest globally with capacity of 45,260 Tonnes Per Annum (TPA). Power Grid corporation of India and State Electricity Boards (SEBs), ABB, Areva, Siemens etc. are amongst major customers. The business segment contributed 7%/8% to the manufacturing segment Revenue/EBIT in FY12. However, at ABNUVO level segment contributed ~2.1%/2.4% to revenue/EBIT over same period.

## Sales Volume (Tonne)



Source: Company Filings; IndiaNivesh Research

## Realization (Rs/Tonnes)



Source: Company Filings; IndiaNivesh Research

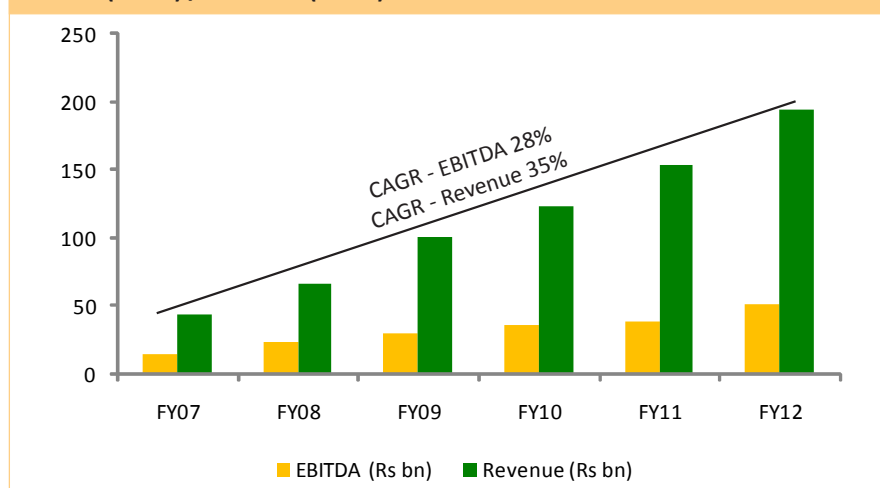
5. **Textile (Jaya Shree Textiles)** – Jaya Shree Textiles (JST) is the domestic market leader in Linen segment (50% of total linen fabric sales), with Spinning & weaving capacities of 16,408 spindles and 106 looms. One of the largest players in Wool segment in India, with worsted yarn capacity at 25,984 spindles and Wool combing capacity at 7 card machines. The company also has 57 stores across India under the brand name “Linen Club” for promoting linen fabric. JST is planning to expand linen yarn capacity from 2,300 TPA to 3,400 TPA and linen fabric capacity from 5.6 million meters to 8.3 million meters with a capex of Rs.1000 mn. In FY12, JST contributed 17%/19% to manufacturing segment revenue/EBIT. The company’s Linen/wool segment contributed 39.7%/60.3% of Textile segment in FY12. However, at ABNUVO level segment contributed ~4.8%/6.1% to revenue/EBIT over same period.

## Telecom (Idea Cellular – ABNUVO has 25% stake)

22% of total consolidated revenue

Idea holds ~25.1% of revenue market share, with leadership position in 8 circles (presence in 11 circles). The company also offer 3G services across 3,500 towns in 20 circles (Incl. roaming arrangements). Idea holds 16% in Indus Towers, a JV between Idea, Bharti & Vodafone. Telecom business contributed 22%/27% to ABNUVO's total revenue/EBIT in FY12.

EBITDA (Rs bn) / Revenue (Rs bn)

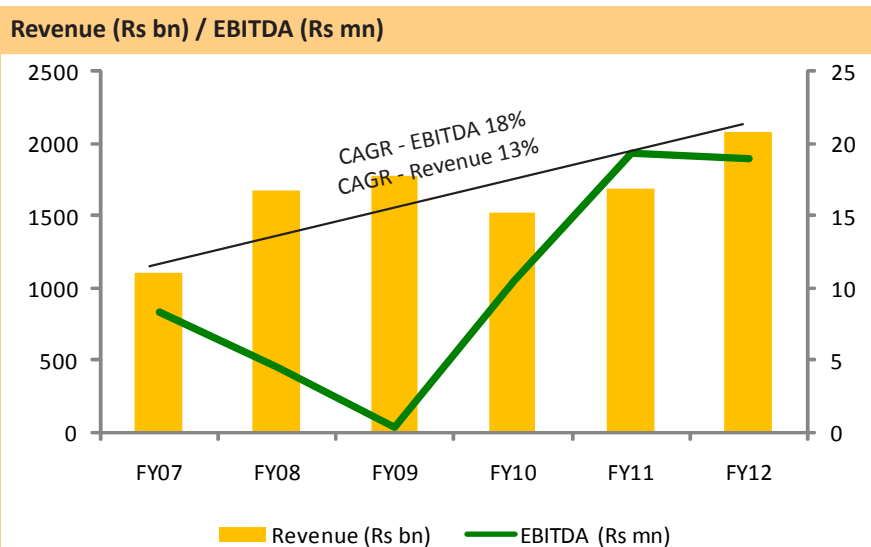


Source: Company Filings; IndiaNivesh Research

## IT-ITES (Aditya Birla Minacs – ABNUVO has 100% stake):

10% of total consolidated revenue

The company forayed into the IT-ITES segment through various acquisitions in India and globally (1) In 2003, acquired Transworks BPO (2) acquired Minacs in 2006, a leading Canadian BPO and (3) in 2010 acquired Compass (top 15 upcoming F&A players) and BCR (a leading debt collection co) to augment customer lifecycle portfolio. The company has over 100 active clients, serviced through 36 centres in US, Canada, Europe, India & Philippines supported by ~19,500 employees. During FY12, the business segment contributed 10%/6% to ABNUVO's total revenue/EBITDA.



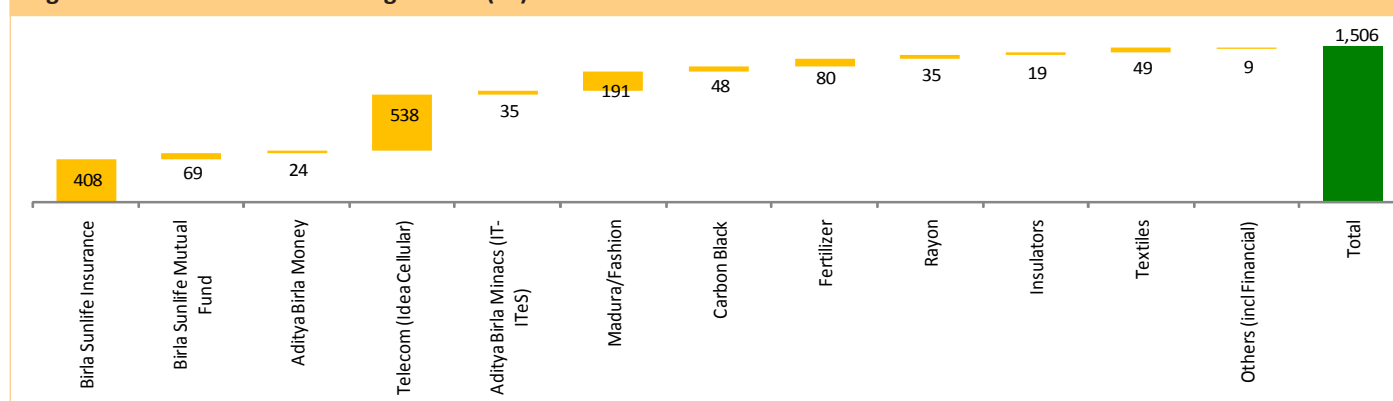
Source: Company Filings; IndiaNivesh Research

**Sum-of-the-parts Valuation:**

Segment	Valuation Methodology	Business Value (Rs Mn)	ABNUVO's Stake	ABNUVO's Value (Rs Mn)
Birla Sunlife Insurance	NBAP multiple of 15x	92,357	74%	68,345
Birla Sunlife Mutual Fund	3% of AUM	23,290	50%	11,645
Aditya Birla Finance	1x Book value	8,120	50%	4,060
Telecom (Idea Cellular)	EBITDA Multiple 6.5x	360,913	25%	90,228
Aditya Birla Minacs (IT-ITeS)	PAT Multiple 6.5x	5,801	100%	5,801
Madura/Fashion	EBITDA Multiple 8.0x	22,325	100%	22,325
Carbon Black	EBITDA Multiple 3.5x	8,063	100%	8,063
Fertilizer	EBITDA Multiple 5.0x	15,864	100%	15,864
Rayon	EBITDA Multiple 5.0x	7,388	100%	7,388
Insulators	EBITDA Multiple 3.5x	2,199	100%	2,199
Textiles	EBITDA Multiple 9.0x	14,808	100%	14,808
Others (incl all other business)		2,990	50%	1,495
<b>Sum of Parts Value ( Rs Cr)</b>				<b>252,220</b>
Net Debt (estimated)				80,420
<b>Equity Value (Rs Cr)</b>				<b>171,800</b>
No. of Shares (Unit in Mn)				114
<b>Value Per Share (Rs)</b>				<b>1,506</b>

Source: Company Filings; IndiaNivesh Research

At CMP of Rs.1094 the stock is trading at P/E and EV/EBITDA multiple of 11.6/9.5 and 5.1/4.5 FY13/FY14 Bloomberg estimates, providing an upside potential of 36% from the current levels.

**Segmentwise Contribution to Target Price (Rs)**

Source: Company Filings; IndiaNivesh Research



## Investment Strategy

Considering the strong growth likely in almost all the major segments, we believe there is a lot of value in this company. Any positive policy framework (both on telecom & financial sector) shall be triggers for the stock. Due to diversified nature of the company, the stock does not get a high PE rating, however, any demerger or restructure of business verticals can trigger a very strong upward movement in the stock. We are convinced that the company is store house of deep value but needs management push to unlock that.

Our strategy would be to buy some quantity at current market price, add more in the range of Rs 950-1,000 for the target of Rs 1,506 in 1 year time frame (without any aforesaid triggers). If any value unlocking etc. happens, target could be much higher.



Trust.....we earn it.

### IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: [research@indianivesh.in](mailto:research@indianivesh.in) | Website: [www.indianivesh.in](http://www.indianivesh.in)

**Disclaimer:** This document has been prepared by IndiaNivesh Securities Private Limited (IndiaNivesh), for use by the recipient as information only and is not for circulation or public distribution. This document is not to be reproduced, copied, redistributed or published or made available to others, in whole or in part without prior permission from us. This document is not to be construed as an offer to sell or the solicitation of an offer to buy any security. Recipients of this document should be aware that past performance is not necessarily a guide for future performance and price and value of investments can go up or down. The suitability or otherwise of any investments will depend upon the recipients particular circumstances. The information contained in this document has been obtained from sources that are considered as reliable though its accuracy or completeness has not been verified by IndiaNivesh independently and cannot be guaranteed. Neither IndiaNivesh nor any of its affiliates, its directors or its employees accepts any responsibility or whatever nature for the information, statements and opinion given, made available or expressed herein or for any omission or for any liability arising from the use of this document. Opinions expressed are our current opinions as of the date appearing on this material only. **IndiaNivesh directors and its clients may have holdings in the stocks mentioned in the report.**

To unsubscribe please send a mail to [mail@indianivesh.in](mailto:mail@indianivesh.in)

[Home](#)