

## Steady quarter

- VNB margins expected to stay under pressure for life insurers; SBI Life (TP Rs 1,970) remains our top pick
- Strong market sentiment with positive market performance should drive AUM and net profit growth for AMCs
- Robust AUM growth likely to propel profitability for BAF – our preferred pick among NBFCs (TP Rs 10,105)

**Mohit Mangal**

research@bobcaps.in

**Life insurance:** Within the private sector space, we expect SBI Life/LIC to post positive APE growth of 10%/2% YoY in Q4FY24. We expect IPRU/ HDFC Life to decline 4%/5%. We project VNB margin to be under pressure as the focus remains on low yielding ULIP whereas high margin non-par will remain under pressure. Retail protection could also gain traction and we anticipate high demand for credit life products considering robust systemic credit growth in Q4. Negligible changes in the final surrender value regulations removes an overhang on the sector as the initial draft's provisions would have eroded profitability of life insurers.

**AMC space:** Positive market sentiment should spur AUM growth and, hence, positive core revenue growth for listed AMCs. Equity inflows, particularly through the SIP mode (Rs 192bn in Feb'24), would be a key driver of profitability. The benchmark index grew in single digits sequentially in Q4 (+29% YoY) which will help register solid MTM gains and thereby aid higher net profit growth. We expect core PAT to increase 14-28% YoY in Q4 for listed players.

**Wealth management:** We pencil in a 38% YoY rise in recurring AUM for 360 One in Q4, helped by new fund inflows and MTM gains, particularly in the 360 One Plus and AMC businesses. We expect overall revenue to increase 28% YoY in Q4 with annual recurring revenue (ARR) forecast to grow 24% YoY and non-ARR revenue 11%. The company's cost-to-income ratio will likely remain high but we still project YoY PAT growth of 21% YoY in Q4. Commentary around exploring new domestic geographies in FY25 and global expansion would be key to watch for.

**NBFC:** We estimate 34% YoY growth in BAF's AUM for Q4 and expect 8% YoY growth in PAT. NIM is expected to remain stable. We expect credit cost to remain a tad higher but within the guided limits. Growth in the newer businesses would be key to watch for. In the credit card space, SBI Card will continue to see higher credit costs, but spends will increase for the #2 player in the industry.

**Top picks:** We remain bullish on SBI Life (TP Rs 1,970) which remains our top pick in the life insurance space and Bajaj Finance (TP Rs 10,105) in NBFC.

## Recommendation snapshot

Ticker	Price	Target	Rating
360ONE IN	721	747	BUY
ABSLAMC IN	479	500	HOLD
BAF IN	7,283	10,105	BUY
HDFC AMC IN	3,699	3,425	HOLD
HDFCLIFE IN	622	850	BUY
IPRU IN	606	595	HOLD
LICI IN	1,007	1,140	HOLD
NAM IN	522	580	HOLD
SBICARD IN	694	800	HOLD
SBILIFE IN	1,464	1,970	BUY
UTIAM IN	896	909	HOLD

Price & Target in Rupees | Price as of 4 Apr 2024



## Q4FY24 preview

Fig 1 – BOBCAPS NBFC universe: Q4FY24 estimates

(Rs mn)	Q4FY24E	Q4FY23	Q3FY24	YoY (%)	QoQ (%)	Comments
<b>NBFC</b>						
<b>SBI Card</b>						
Loans	4,96,511	3,93,610	4,71,640	26.1	5.3	In Q4FY24, we expect loans to increase 26% YoY. NIM is anticipated to drop slightly owing to higher cost of funds. It is anticipated that the cost to income would stay high. We believe credit costs will continue to rise in Q4, even though they should decrease sequentially. Data on receivable mix, credit cost and cost to income would be the key monitorables.
NII	14,906	11,651	13,870	27.9	7.5	
NIM (%)	10.9	11.0	10.9	(14bps)	(3bps)	
PPOP	14,796	14,294	16,205	3.5	(8.7)	
Credit costs (%)	6.7	6.6	7.8	18bps	(104bps)	
PAT	5,039	5,965	5,491	(15.5)	(8.2)	
<b>360 One WM</b>						
Recurring AUM	23,02,753	16,71,744	22,07,678	37.7	4.3	We expect recurring AUM to grow 38% YoY to Rs 2.3tn at end Q4FY24. Cost to income ratio would remain high due to business expansion. We expect PAT to clock 21% YoY at end Q4. The commentary around exploring new domestic geographies in FY25 along with global expansion would be key.
Total revenue	4,929	3,851	4,665	28.0	5.7	
C/I (%)	49.3	48.0	49.6	121bps	(37bps)	
PAT	1,880	1,551	1,940	21.2	(3.1)	
Yield (Recurring - bps)	62	67	64	(6bps)	(2bps)	
<b>Bajaj Finance</b>						
AUM	33,15,328	24,73,790	31,09,680	34.0	6.6	We expect BAF's AUM growth to be 34% YoY/ 6.6% QoQ at end Q4 FY24. We forecast 35% YoY growth in loans. We believe NIM will remain stable, but cost to income will remain high and credit costs increase 26bps YoY but stay stable QoQ. Commentary on newer segments and growth strategies are the key monitorables.
Loans	32,62,282	24,22,689	30,63,890	34.7	6.5	
NII	73,686	62,549	76,553	17.8	(3.7)	
NIM (%)	10.4	10.3	10.3	4bps	3bps	
PPOP	59,437	51,189	61,422	16.1	(3.2)	
Credit costs (%)	1.7	1.5	1.7	26bps	5bps	
PAT	34,165	31,578	36,390	8.2	(6.1)	
<b>LIFE INSURANCE</b>						
<b>SBI Life</b>						
NBP	93,977	80,765	97,387	16.4	(3.5)	We expect strong growth momentum in NBP to continue for SBI Life. We expect the company to post 10% YoY growth in gross premium led by ULIP, protection and annuity. We expect VNB margin to be around 27%. Cost leadership is likely to persist and remain stable. Commentary around ULIP growth and non-par outlook would be key monitorables.
Gross Premium	2,20,772	2,00,136	2,24,586	10.3	(1.7)	
APE	49,998	45,500	61,300	9.9	(18.4)	
Total cost (%)	9.4	9.4	9.7	2bps	(36bps)	
VNB	13,891	14,400	16,800	(3.5)	(17.3)	
VNB Margin (%)	27.8	31.6	27.4	(386bps)	38bps	
<b>HDFC Life</b>						
NBP	1,25,325	1,03,720	71,297	20.8	75.8	We expect HDFC Life's NBP to post 21% YoY at end Q4FY24. Gross premiums is expected to have risen 24% YoY. We expect total cost to rise on a QoQ and YoY basis. APE is likely to decrease 5% YoY. We expect VNB margin to be 26.9%.
Gross Premium	2,42,998	1,96,261	1,55,259	23.8	56.5	
APE	47,611	49,949	31,692	(4.7)	50.2	
Total cost (%)	22.4	20.5	19.4	189bps	298bps	
VNB	12,807	15,160	8,490	(15.5)	50.9	
VNB Margin (%)	26.9	30.4	26.8	(345bps)	11bps	
<b>ICICI Prudential Life</b>						
NBP	51,632	57,618	42,054	(10.4)	22.8	We expect IPRU's NBP to decline 10% YoY but grow 23% on a sequential basis. Gross premium is likely to decline 4% YoY. We forecast VNB margins at 26% with margins being under pressure, though on a sequential basis we expect things to be better. We expect total cost to be stable at ~18%.
Gross Premium	1,25,359	1,29,920	1,02,850	(3.5)	21.9	
APE	31,666	32,990	19,080	(4.0)	66.0	
Total cost (%)	18.1	17.9	18.3	28bps	(14bps)	
VNB	8,274	10,550	4,360	(21.6)	89.8	
VNB Margin (%)	26.1	32.0	22.9	(585bps)	328bps	

(Rs mn)	Q4FY24E	Q4FY23	Q3FY24	YoY (%)	QoQ (%)	Comments
<b>LIC</b>						
NBP	6,06,167	5,59,549	5,47,914	8.3	10.6	We expect LIC's NBP and gross premium growth to grow in the single digits. The company continues to focus on non-par products which is low in the product mix as compared with its peers. Overall, though we continue to believe VNB margin accretion will continue in the long run, the quarter may see some moderation. We expect the cost ratio to decline.
Gross Premium	14,12,581	13,19,639	11,72,226	7.0	20.5	
APE	1,94,987	1,91,370	1,31,630	1.9	48.1	
Total cost (%)	14.6	16.2	15.5	(166bps)	(93bps)	
VNB	34,611	37,009	26,345	(6.5)	31.4	
VNB Margin (%)	17.8	19.3	20.0	(159bps)	(226bps)	
<b>AMC</b>						
<b>Nippon AMC</b>						
AUM (Rs bn)	3,833	2,932	3,777	30.7	1.5	We expect AUM to clock a strong 31% YoY at end Q4, supported by robust inflows and MTM gains. The strong equity flows are likely to continue. We believe total core revenue will grow ~30% YoY, supported by higher AUM growth. We forecast core PAT to grow 28% YoY to Rs 2.1bn.
Core revenue	4,483	3,483	5,304	28.7	(15.5)	
EBITDA	3,368	2,485	3,662	35.5	(8.0)	
Core PAT	2,108	1,649	1,991	27.8	5.9	
<b>UTI AMC</b>						
AUM (Rs bn)	2,738	2,388	2,729	14.6	0.3	We believe AUM will increase at a healthy 15% YoY. We expect core revenue to clock 14% YoY. Revenue from subsidiaries are likely to remain stable. We believe core PAT will grow YoY and QoQ. Net inflows, particularly in the equity segment, would be a key monitorable.
Core revenue	3,064	2,695	2,900	13.7	5.6	
EBITDA	1,882	1,300	2,740	44.8	(31.3)	
Core PAT	972	857	784	13.5	24.0	
<b>HDFC AMC</b>						
AUM (Rs bn)	5,606	4,498	5,515	24.6	1.6	We expect AUM to increase a strong 25% YoY led by the equity segment. Core revenue will likely clock a healthy 24% YoY though yields could decline on higher AUM and the inverse relationship. We expect core PAT to grow 19% YoY.
Core revenue	6,706	5,410	6,713	24.0	(0.1)	
EBITDA	6,224	5,074	6,521	22.7	(4.5)	
Core PAT	3,599	3,021	3,785	19.1	(4.9)	
<b>ABSL AMC</b>						
AUM (Rs bn)	3,113	2,752	3,115	13.1	(0.1)	We expect AUM growth to be 13% YoY, but flat sequentially. We expect core revenue to grow 18%. We expect EBITDA will grow 22% YoY and core PAT 26% YoY.
Core revenue	3,493	2,970	3,415	17.6	2.3	
EBITDA	2,325	1,902	2,738	22.2	(15.1)	
Core PAT	1,400	1,114	1,462	25.6	(4.2)	

Source: Company, BOBCAPS Research

## Glossary

Glossary of Abbreviations			
<b>APE</b>	Average Premium Equivalent	<b>MTM</b>	Mark to Market
<b>AUM</b>	Assets Under Management	<b>NBP</b>	New Business Premium
<b>EOM</b>	Expenses of Management	<b>ROEV</b>	Return on Embedded Value
<b>EV</b>	Embedded Value	<b>RWRP</b>	Retail Weighted Received Premium
<b>EVOP</b>	Embedded Value Operating Profit	<b>ULIP</b>	Unit Linked Insurance Plan
<b>HNI</b>	High Net Worth Individuals	<b>VNB</b>	Value of New Business
<b>IRDAI</b>	Insurance Regulatory and Development Authority		

**NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.**

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

**Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

**Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

**Distribution into the United Kingdom ("UK"):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "MAYBANK"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) 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 from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

**No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

**Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.