

## RESEARCH

### BAJAJ AUTO | TARGET: Rs 4,188 | -4% | HOLD

Rural economy revival key for growth; Maintain HOLD

### HDFC LIFE | TARGET: Rs 600 | +13% | HOLD

Strong quarter

### PERSISTENT SYSTEMS | TARGET: Rs 5,330 | +19% | BUY

Growth resilient

### NIPPON LIFE INDIA AMC | TARGET: Rs 305 | +30% | BUY

MTM losses mar quarter

### TATA CONSUMER PRODUCTS | TARGET: Rs 924 | +24% | BUY

Strategic initiatives in place; outlook upbeat

### Daily macro indicators

Ticker	24-Apr	25-Apr	Chg (%)
US 10Y yield (%)	3.49	3.40	(9bps)
India 10Y yield (%)	7.10	7.13	3bps
USD/INR	81.91	81.92	0.0
Brent Crude (US\$/bbl)	82.7	80.8	(2.4)
Dow	33,875	33,531	(1.0)
Hang Seng	19,960	19,618	(1.7)
Sensex	60,056	60,131	0.1
India FII (US\$ mn)	21-Apr	24-Apr	Chg (\$ mn)
FII-D	18.6	(121.9)	(140.5)
FII-E	(206.2)	(41.0)	165.2

Source: Bank of Baroda Economics Research

## SUMMARY

### BAJAJ AUTO

- Despite 13% lower volumes YoY, realisations steered topline growth of 12% in Q4 on the back of a better product mix
- Easing of raw material cost helped margins along, though cost trends have now reversed
- Retain HOLD with a revised TP of Rs 4,188 (vs. Rs 3,636) as we roll valuations over to Mar'25

[Click here for the full report.](#)

### HDFC LIFE

- Robust growth momentum in gross premium to Rs 196bn in Q4; NBP market share climbs to 22.9%
- We trim VNB margins by 80-110bps for FY24/FY25 to 26.5% for each of the year to factor in higher expenses
- We raise estimates and increase our TP to Rs 600 (vs. Rs 549), based on a higher 2.4x FY25E P/EV (vs 2.2x earlier); retain HOLD

[Click here for the full report.](#)

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## PERSISTENT SYSTEMS

- Q4 revenue up 3.9% QoQ CC to US\$ 275mn, backed by services and top-client business
- EBIT margin flat QoQ at 15.4% with some drag visible from the healthcare and tech/emerging verticals
- Management confident of above-industry growth in FY24; we assume coverage with BUY and a TP of Rs 5,330, set at 30x FY25E EPS

[Click here](#) for the full report.

## NIPPON LIFE INDIA AMC

- MTM loss on other income led to 7% sequential decline in Q4 total income and 10% drop in pre-tax profit
- Market rank improvement and top-quartile scheme performance remain key positives
- TP reduced to Rs 305 (vs. Rs 347) as we cut FY24/FY25 PAT by 5%/4% and now value the stock at 22x FY25E EPS (vs. 24x)

[Click here](#) for the full report.

## TATA CONSUMER PRODUCTS

- Strong 14% YoY revenue growth in Q4 as key businesses continued to outperform
- Green shoots seen in salient markets for the tea business; international business rebounds on pricing and structural initiatives
- Volume growth and margin expansion expected ahead; maintain BUY with unchanged TP of Rs 924

[Click here](#) for the full report.

**HOLD**

TP: Rs 4,188 | ▼ 4%

**BAJAJ AUTO**

| Automobiles

| 27 April 2023

**Rural economy revival key for growth; Maintain HOLD**

- Despite 13% lower volumes YoY, realisations steered topline growth of 12% in Q4 on the back of a better product mix
- Easing of raw material cost helped margins along, though cost trends have now reversed
- Retain HOLD with a revised TP of Rs 4,188 (vs. Rs 3,636) as we roll valuations over to Mar'25

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**Price-led revenue growth:** BJAUT's Q4FY23 revenue grew 12% YoY (-4% QoQ) to Rs 89bn aided by healthy realisations that rose 28% YoY (+10% QoQ) to Rs 104.1k/unit. Volumes dropped 12.5% YoY (-13% QoQ) to 0.86mn units as exports remained weak. Higher realisations were driven by judicious price hikes, a prudent product mix and sound forex management.

**Healthy product mix aids margins:** Raw material cost as a percentage of sales fell to 69.8% from 71.9% in Q4FY22 (70.6% in Q3FY23) due to softening commodity inflation and energy prices, though this trend has currently reversed. Other expenditure increased by 8% YoY (+1% QoQ) due to negative operating leverage that was partly offset by better pricing owing to a tilt towards high-end products. EBITDA grew 26% YoY (-3% QoQ) to Rs 17.2bn with a margin of 19.3% against 17.1% in Q4FY22. Gross margin improved to 30% from 29% in Q3. Adj. PAT increased 24% YoY (netting off the extraordinary income of Rs 3.2bn in 4QFY22) to Rs 14.3bn, but slipped 3% YoY upon including this one-off gain.

**Premiumisation-driven growth:** BJAUT's market share for *Pulsar* in the 150-250cc class is back to over 50% in Q4. Market share in the 125cc segment has also improved, and currently 60% of domestic motorcycle sales are contributed by this segment (vs. ~50% pre-Covid in FY20).

**Exports remain weak:** Export volumes contracted 20% sequentially due to a paucity of US dollars for trade across North African and LATAM markets. Per management, this stifled the otherwise healthy demand trends (ex-Nigeria).

**Maintain HOLD:** We revise our FY24/FY25 EPS estimates marginally to Rs 212/ Rs 243. Our gross margin forecasts for these years remain around 28% given the inflated raw material cost structure, with EBITDA margin expected in the 16-17% range. We see limited growth triggers and little upside at current valuations of 18x FY25E EPS, leading us to retain our HOLD rating. Our TP stands revised to Rs 4,188 (vs. Rs 3,636) as we roll valuations over to FY25E while continuing to value the stock at a target P/E multiple of 17x on FY25E, in line with its 10Y average.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	BJAUT IN/Rs 4,343
Market cap	US\$ 15.3bn
Free float	46%
3M ADV	US\$ 19.0mn
52wk high/low	Rs 4,375/Rs 3,460
Promoter/FPI/DII	54%/10%/13%

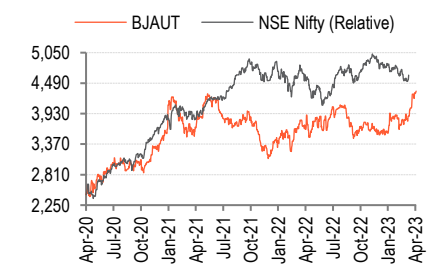
Source: NSE | Price as of 25 Apr 2023

**Key financials**

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	3,31,447	3,64,276	4,10,239
EBITDA (Rs mn)	52,586	65,491	69,092
Adj. net profit (Rs mn)	47,036	56,276	60,309
Adj. EPS (Rs)	173.4	197.9	212.1
Consensus EPS (Rs)	173.0	199.0	227.0
Adj. ROAE (%)	18.2	21.6	18.9
Adj. P/E (x)	25.0	21.9	20.5
EV/EBITDA (x)	24.0	19.6	18.1
Adj. EPS growth (%)	5.7	21.7	7.2

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**HOLD**

TP: Rs 600 | ▲ 13%

**HDFC LIFE**

| Insurance

| 26 April 2023

### Strong quarter

- Robust growth momentum in gross premium to Rs 196bn in Q4; NBP market share climbs to 22.9%
- We trim VNB margins by 80-110bps for FY24/FY25 to 26.5% for each of the year to factor in higher expenses
- We raise estimates and increase our TP to Rs 600 (vs. Rs 549), based on a higher 2.4x FY25E P/EV (vs 2.2x earlier); retain HOLD

**Mohit Mangal**

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**Strong quarter:** At end-Q4FY23, HDFC Life's gross premium stood at Rs 196bn (Rs 575bn at end-FY23), which was 29% above our estimate. We, therefore, raise our gross premium estimates by 11-12% for FY24/FY25. NBP market share expanded from 20.9% at end-Q3FY23 to 22.9% in Q4, making HDFC Life the biggest player among the private peers. For FY23, there was a slight moderation of 20bps to 20.8%. In a key positive, RBI has allowed HDFC/ HDFC Bank to raise its stake in HDFC Life beyond 50% before the effective date of merger.

**VNB margin expected to decline:** At end-FY23, VNB stood at Rs 36.7bn with a margin of 27.6%. Expenses for Project Inspire are likely to be within EOM (Expenses of Management) but were a 0.4% drag on VNB margin. Also, the total cost ratio of 20.5% was higher than our 18.1% estimate. With the company expecting to spend more in FY24 and FY25, we cut our VNB margin estimates by 80-110bps. However, given 70% YoY APE growth in Q4, we now model for a 10% APE CAGR over FY23-FY25 to Rs 160bn (vs. Rs 143bn earlier) and hence factor in a 7% VNB CAGR to Rs 42bn (Rs 39bn earlier). EV stood at Rs 395bn at end-FY23, and we expect a 16% CAGR over FY23-FY25 to Rs 532bn (Rs 537bn earlier).

**Non-par growth to moderate:** HDFC Life is focused on a balanced product mix; however, the non-par proportion in APE totaled 38% at end-FY23 vs. 28% in FY22. We believe this will moderate as customers invest in higher value plans to take advantage of tax laws. The protection business formed 13.3% of total APE at end-FY23 vs. 13.6% in FY22.

**Retain HOLD:** HDFC Life is trading at 2.1x FY25E P/EV. We see key negatives from regulatory headwinds with the withdrawal of tax benefits on large policies, and the potential impact of Project Inspire on VNB margin. However, the company continues to deliver strong business growth with high persistency ratios. We thus value the stock 2SD below its long-term mean at a higher 2.4x FY25E P/EV (2.2x earlier). Post estimate revision, we have a new TP of Rs 600 (vs. Rs 549) and maintain HOLD as upside potential looks capped.

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 532
Market cap	US\$ 13.9bn
Free float	48%
3M ADV	US\$ 31.5mn
52wk high/low	Rs 621/Rs 458
Promoter/FPI/DII	52%/26%/8%

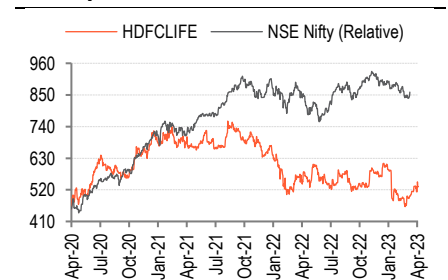
Source: NSE | Price as of 26 Apr 2023

### Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
NBP (Rs mn)	2,90,852	3,37,456	3,74,392
APE (Rs mn)	1,33,400	1,38,195	1,60,231
VNB (Rs mn)	36,818	36,622	42,461
Embedded Value (Rs mn)	3,94,988	4,57,871	5,31,624
VNB margin (%)	27.6	26.5	26.5
EVPS (Rs)	185.0	214.4	249.0
EPS (Rs)	6.4	6.3	7.8
Consensus EPS (Rs)	6.4	9.7	10.7
P/EV (x)	2.9	2.5	2.1

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**BUY**

TP: Rs 5,330 | ▲ 19%

**PERSISTENT SYSTEMS**

Technology & Internet

26 April 2023

**Growth resilient**

- Q4 revenue up 3.9% QoQ CC to US\$ 275mn, backed by services and top-client business
- EBIT margin flat QoQ at 15.4% with some drag visible from the healthcare and tech/emerging verticals
- Management confident of above-industry growth in FY24; we assume coverage with BUY and a TP of Rs 5,330, set at 30x FY25E EPS

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**Top client drives growth:** PSYS reported 3.9% QoQ CC revenue growth in Q4FY23 – similar to Q3 – at US\$ 275mn led by (i) its top client (T1) where incremental revenue grew 58.5% QoQ to US\$ 26mn, and (ii) the services business which increased by 5.5% QoQ. Excluding T1, growth slips to 1.7% QoQ, impacted by a decline in IP-led revenue and project ramp-down at hyperscale clients (-1.1% QoQ impact). For FY23, revenue increased 35% YoY (incl. ~9% inorganic growth).

**Sustainability of deal wins key in the near term:** Deal TCV/ACV increased by 17%/18% YoY to US\$ 422mn/US\$ 310mn in Q4 with the new deal component at its highest ever. After four straight quarters of decline, the top client’s growth rebounded to 30.5% QoQ backed by a US\$ 100mn TCV win. PSYS’s ability to maintain its revenue run-rate at FY22 levels of US\$ 31mn/quarter (vs. US\$ 25.5mn in Q4FY23) will be a key monitorable.

ACV fell 5% QoQ and the book-to-bill ratio remained at 1.13x (vs. 1.15x in Q3). Organic growth slowed further to 19.6% YoY. We see improvement in client mining, cross-sell and annuity business, which is reflected in higher revenue per client in the services segment (~1.6x in the last two years vs. a flat trend during FY15-FY21).

**EBIT margin flat QoQ:** PSYS’s EBIT margin stood at 15.4% in Q4FY23 and 14.9% in FY23, supported by growth in the offshore mix and in T1 business, offset to some extent by a decline in segmental margins in the healthcare and tech & emerging verticals. Attrition continued to trend lower, and the company added 291 employees to its headcount in Q4 with plans for 850-1,000 fresher adds in FY24 together with wage hike plans for Q2FY24.

**Relatively bullish outlook:** PSYS aspires to achieve above-industry growth of 7-10% for FY24 and is confident of clocking quarterly growth of 3-5%. The stock is currently trading at 25x FY25E EPS. We assume coverage with BUY and a TP of Rs 5,330 based on 30x FY25E EPS (vs. historical average of 34.4x over FY20-FY23).

**Key changes**

	Target	Rating
	▲	▲

Ticker/Price	PSYS IN/Rs 4,472
Market cap	US\$ 4.4bn
Free float	70%
3M ADV	US\$ 21.1mn
52wk high/low	Rs 5,135/Rs 3,092
Promoter/FPI/DII	30%/26%/44%

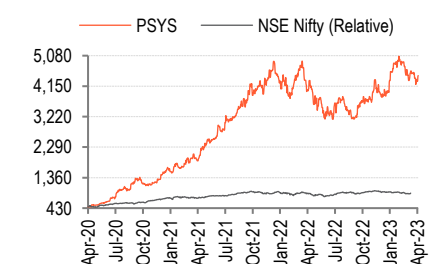
Source: NSE | Price as of 25 Apr 2023

**Key financials**

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	83,506	96,822	1,11,253
EBITDA (Rs mn)	15,191	18,155	21,063
Adj. net profit (Rs mn)	9,507	11,422	13,574
Adj. EPS (Rs)	124.4	149.4	177.6
Consensus EPS (Rs)	124.4	146.7	174.8
Adj. ROAE (%)	27.4	30.8	33.7
Adj. P/E (x)	35.9	29.9	25.2
EV/EBITDA (x)	23.5	19.9	17.0
Adj. EPS growth (%)	43.7	20.1	18.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



**BUY**  
 TP: Rs 305 | ▲ 30%

**NIPPON LIFE INDIA AMC** | NBFC

26 April 2023

**MTM losses mar quarter**

- **MTM loss on other income led to 7% sequential decline in Q4 total income and 10% drop in pre-tax profit**
- **Market rank improvement and top-quartile scheme performance remain key positives**
- **TP reduced to Rs 305 (vs. Rs 347) as we cut FY24/FY25 PAT by 5%/4% and now value the stock at 22x FY25E EPS (vs. 24x)**

**Mohit Mangal**

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**Dull quarter:** Nippon AMC’s total income declined 7% QoQ (+4% YoY) in Q4FY23 to Rs 3.9bn, coming in 11% below our estimate. This was primarily due to a 36% QoQ drop in other income owing to MTM losses on fixed income schemes. PBT fell 10% QoQ to Rs 2.4bn, missing our estimate by 15%. Owing to a lower effective tax rate, net profit declined by a lower 3.5% QoQ to ~Rs 2bn (flattish vs. our forecast). QAAUM grew 3.5% YoY to Rs 2.9tn (a 5% miss), with debt funds declining 27% and equity rising 9%. For FY23, net profit of Rs 7.2bn was in line with our expectations. We bake in the Q4 print by paring our AUM and net profit estimates by 4-5% each for FY24 and FY25.

**Market share rank improves:** Nippon AMC has moved up one spot to the #4 rank in MAAUM with 7.3% market share in FY23. Its equity MAAUM rank has also improved from #7 to #6 with 6.4% market share. The company indicated that it is pursuing further market share gains. Moreover, it is a leader in the ETF industry with 70%/61% volume/folio share on both exchanges (NSE, BSE) at end-Mar’23. ETFs within its QAAUM swelled from 6% (Rs 125bn) at end-FY17 to 23% (Rs 700bn) at end-FY23 backed by a comprehensive product suite.

**Yields under pressure:** The overall yield (calc.) was flattish YoY at 48bps as the share of equity in QAAUM increased from 42% in the year-ago quarter to 44%, offset by a decline in the share of debt from 26% to 18%. FY23 saw no NFOs (active side) though the company pointed to a pipeline of new offers for the near future.

**Cut estimates; maintain BUY:** The stock is currently trading at 17x FY25E EPS. Apart from paring our estimates, we also value the stock at a lower 22x FY25E EPS from 24x earlier to bake in industry headwinds. Our multiple is at a 20% discount to the long-term mean and translates to a revised TP of Rs 305 (vs. Rs 347), offering 30% upside. We maintain BUY given the company’s growing market share, ETF leadership, strong scheme performance and steady equity AUM. Regulatory headwinds from potential TER revision along with lower net flows for the industry in FY23 could pose downside risks.

**Key changes**

<b>Target</b>	<b>Rating</b>
▼	◀ ▶

Ticker/Price	NAM IN/Rs 235
Market cap	US\$ 1.8bn
Free float	12%
3M ADV	US\$ 1.4mn
52wk high/low	Rs 335/Rs 197
Promoter/FPI/DII	74%/6%/9%

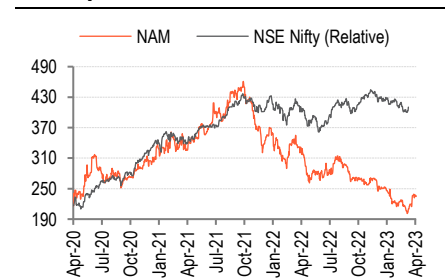
Source: NSE | Price as of 25 Apr 2023

**Key financials**

Y/E 31 Mar	FY23P	FY24E	FY25E
Core PBT (Rs mn)	7,610	8,055	9,011
Core PBT (YoY)	0.2	5.8	11.9
Adj. net profit (Rs mn)	7,229	7,744	8,699
EPS (Rs)	11.5	12.4	13.9
Consensus EPS (Rs)	11.5	13.6	15.7
MCap/AAAUM (%)	5.0	4.6	4.1
ROAAAUM (bps)	24.7	24.1	24.2
ROE (%)	20.7	21.6	23.2
P/E (x)	20.4	19.0	16.9

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE





**BUY**

TP: Rs 924 | ▲ 24%

**TATA CONSUMER PRODUCTS**

Consumer Staples

26 April 2023

**Strategic initiatives in place; outlook upbeat**

- **Strong 14% YoY revenue growth in Q4 as key businesses continued to outperform**
- **Green shoots seen in salient markets for the tea business; international business rebounds on pricing and structural initiatives**
- **Volume growth and margin expansion expected ahead; maintain BUY with unchanged TP of Rs 924**

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**Strong performance across segments:** Tata Consumer (TCPL) registered robust revenue growth of 14% YoY (12% CC) in Q4FY23, supported by 15% growth in India business, 6% in international business and 9% in non-branded business. EBITDA increased 15% YoY with margin expansion of 15bps (+110bps QoQ) to 14.1%. Adj. PAT grew 16% YoY with 15bps margin improvement (-26bps QoQ). TCPL continues to focus on innovation, launching 34 new products during the year and improving its innovation-to-sales ratio from 0.8% in FY20 to 3.4% in FY23 (2.7% in FY22).

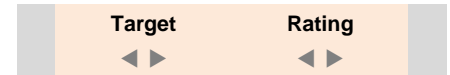
**Growth businesses continue strong trajectory:** *Tata Sampann*, *Tata Soulful* and *NourishCo* have maintained their strong upward trajectory, growing 53% YoY in FY23 and collectively accounting for 15% of India business compared to 10% in FY22 and 6% in FY20. *Tata Sampann* entered the health & wellness segment in Q4 with the launch of *Makhana*. *NourishCo* had a strong year, soaring 80% to reach Rs 6.2bn in revenue backed by broad-based growth across products and geographies.

**Revival in international business:** The international beverages business grew 8% YoY in Q4 on the back of price increases taken in all markets to mitigate the impact of inflation. Input cost inflation and adverse currency movement impacted margins in FY23, though sequential improvement has been seen over the last two quarters.

**Starbucks performs well:** Tata Starbucks' revenue grew 48% YoY during the quarter led by the revival in out-of-home consumption and store addition. Net store addition was at 22 in Q4, taking the total count to 333 stores. The company has expanded its reach to 41 cities.

**Maintain BUY, TP Rs 924:** We expect TCPL to deliver a strong performance due to a sustained focus on network extension in rural and semi-urban markets, premiumisation, market share gains, product launches and digitisation. We model for a revenue/EBITDA/PAT CAGR of 11.6%/14.8%/19.3% over FY22-FY25 and maintain BUY for an unchanged SOTP-based TP of Rs 924.

**Key changes**



Ticker/Price	TATACONS IN/Rs 747
Market cap	US\$ 8.5bn
Free float	64%
3M ADV	US\$ 10.7mn
52wk high/low	Rs 861/Rs 687
Promoter/FPI/DII	34%/25%/41%

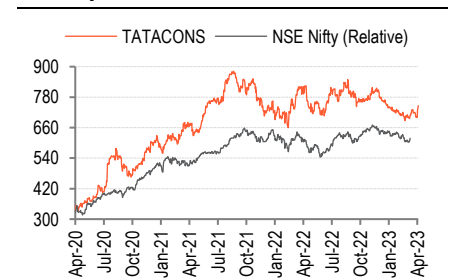
Source: NSE | Price as of 26 Apr 2023

**Key financials**

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	1,37,832	1,54,545	1,73,125
EBITDA (Rs mn)	18,565	23,343	26,024
Adj. net profit (Rs mn)	10,443	14,968	16,781
Adj. EPS (Rs)	11.3	16.1	18.1
Consensus EPS (Rs)	11.3	16.0	18.7
Adj. ROAE (%)	7.0	8.3	8.7
Adj. P/E (x)	66.2	46.3	41.3
EV/EBITDA (x)	37.4	29.7	26.7
Adj. EPS growth (%)	28.2	23.7	12.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



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### 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

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