

RESEARCH
BOB ECONOMICS RESEARCH | CPI INFLATION AND IIP

Food inflation: A key risk

360 ONE | TARGET: Rs 890 | +13% | HOLD

ET Money acquisition – beneficial in long term

Daily macro indicators

Indicator	11-Jun	12-Jun	Chg (%)
US 10Y yield (%)	4.40	4.32	(9bps)
India 10Y yield (%)	7.01	7.01	0bps
USD/INR	83.57	83.54	0.0
Brent Crude (US\$/bbl)	81.9	82.6	0.8
Dow	38,747	38,712	(0.1)
Hang Seng	18,176	17,938	(1.3)
Sensex	76,457	76,607	0.2
India FII (US\$ mn)	10-Jun	11-Jun	Chg (\$ mn)
FII-D	(17.7)	(299.2)	(281.5)
FII-E	343.5	6.8	(336.7)

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: CPI INFLATION AND IIP

CPI print came in slightly lower than our estimate at 4.75% (BoB estimate: 4.9%). Food inflation continued to remain sticky. Sequential food items with 32% weight in overall CPI basket are witnessing considerable momentum. However, a lot of it is attributable to seasonal phenomenon. Added to this, another tomato and onion price shock may be imminent. Already in Jun'24, prices of these items of vegetables are on the rise, attributable to adverse weather conditions and demand supply mismatches.

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

360 ONE

- 360 One acquired ET Money for a total payment of Rs 3.7bn, partially paid in cash and partly through shares
- ET Money revenue growth strong but breakeven in profitability could be another 2-3 years; growth and new segment entry are major synergies
- We maintain HOLD with a TP of Rs 890, valuing it at 30x FY26E EPS, awaiting further information from management

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CPI INFLATION AND IIP

13 June 2024

Food inflation: A key risk

CPI print came in slightly lower than our estimate at 4.75% (BoB estimate: 4.9%). Food inflation continued to remain sticky. Sequential food items with 32% weight in overall CPI basket are witnessing considerable momentum. However, a lot of it is attributable to seasonal phenomenon. Added to this, another tomato and onion price shock may be imminent. Already in Jun'24, prices of these items of vegetables are on the rise, attributable to adverse weather conditions and demand supply mismatches.

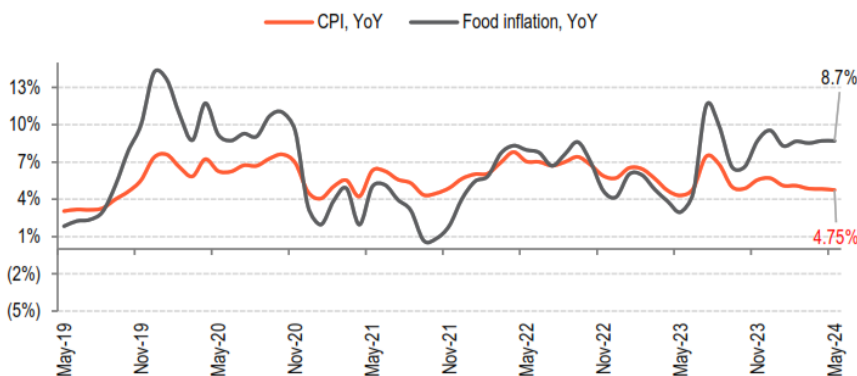
Dipanwita Mazumdar
Economist

Jahnvi Prabhakar
Economist

We do not foresee food inflation dipping below 7.5-8% in the near term. Thus, headline CPI may overshoot RBI's inflation projections in Q1. The only comfort kicks in with a favorable base in Q2. Core continues to provide the desired comfort. However, some upward correction might be witnessed from rural demand if Southwest monsoon pans out well. Thus, RBI's approach would be nimble balancing and counterbalancing the risks. A lot of events would be closely watchable from a monetary policy standpoint, ranging from the impact of final Budget, its impact on growth and inflation and evolution of global policy rate.

CPI inflation came in slightly lower than our estimate: CPI inflation came in at 4.75% in May'24, on YoY basis, marginally lower than our estimate of 4.9%. Food inflation remained sticky at 8.7% in May'24. Within food, 6 out of 12 broad categories have remained above 6%, with inflation remaining elevated for vegetables (27.3%, YoY), pulses (17.1%), cereals (8.7%) and eggs (7.6%). Considerable upside pressure was also visible in the case of oils and fats and fruits. The sequential picture gives a better picture of the evolution of food inflation. Food inflation has risen by 0.7% in May'24 (MoM).

Figure 1: Food inflation sticky



Source: CEIC, Bank of Baroda Research



HOLD

TP: Rs 890 | ▲ 13%

360 ONE

| Diversified Financials

| 13 June 2024

ET Money acquisition – beneficial in long term

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Venturing into retail/wealth tech: 360 One has signed a definitive agreement to purchase ET Money for a total payment of Rs 3.7bn, which will be paid in cash (Rs 858mn) and 3.6mn equity shares (Rs 779.93 each). ET Money is a major registered investment advisor (RIA) player, with an invested AUM of Rs 280bn, of which Rs 250bn is in mutual funds (MF). It has net monthly sales of Rs 7.5bn. It has SIP flows of Rs 4.5bn every month compared to the monthly industry average of Rs 166bn in FY24 and Rs 206bn in 2MFY25. ET Money Genius, an investment consulting service, has over 76,000 active paying advisory clients with an AUM of Rs 12bn. We feel the acquisition will enable 360 One to foray into a newer segment given there is limited overlap with current business segments. We believe it will lead to higher chances of cross selling existing products like 360 One Plus (portfolio management services) or AMC (alternate investment funds, MF, etc).

Breakeven key aspect to watch for: ET Money generated strong revenue growth of 112% CAGR over FY22-FY24 (Rs 287mn in FY24 vs Rs 64mn in FY22). Thus, the deal is pegged at 12.7x on a trailing basis. Future growth will depend on 0.1mn revenue-generating users of a total of 1mn transacting clients. This is because MF products are distributed via direct code. Although the revenue increase has been strong, we believe it will take another two to three years to break even and contribute to the bottom line. ET Money should be a beneficiary of the rise in retail participation and our interaction with AMC players suggests the growing importance of fintech players.

Maintain HOLD: We remain optimistic on 360 One, and the new acquisition, while potentially dilutive in the short term, appears to be a smart long-term investment. We are waiting for more information from management before baking them into our existing numbers. We continue to value the company at 30x FY26E EPS – a 30% premium to the long-term average leading to a similar TP of Rs 890. Maintain HOLD. We remain constructive on 360 One given sustained traction in the ARR model, where recurring AUM was ~Rs 2.3tn (FY24), and a well-defined expansion strategy.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	360ONE IN/Rs 790
Market cap	US\$ 3.5bn
Free float	78%
3M ADV	US\$ 6.2mn
52wk high/low	Rs 901/Rs 420
Promoter/FPI/DII	22%/23%/2%

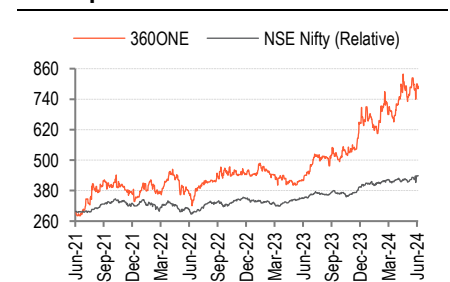
Source: NSE | Price as of 12 Jun 2024

Key financials

Y/E 31 Mar (Rs mn)	FY24P	FY25E	FY26E
PBT (Rs mn)	10,085	11,783	14,182
PBT growth (%)	18.6	16.8	20.4
Adj. net profit (Rs mn)	8,018	9,190	11,062
EPS (Rs)	21.9	24.7	29.7
Consensus EPS (Rs)	20.0	24.9	30.0
P/E (x)	36.2	32.0	26.6
MCap/AUM (%)	0.0	0.0	0.0
ROE (%)	24.4	25.8	29.0

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

Stock performance



Source: NSE



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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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