

RESEARCH

360 ONE | TARGET: Rs 890 | +11% | HOLD

Strong quarter, but price runup limits the upside

ICICI PRUDENTIAL LIFE | TARGET: Rs 650 | +9% | HOLD

Strong growth but VNB margin dwindles

TATA CONSUMER PRODUCTS | TARGET: Rs 1,330 | +20% | BUY

Strong performance in international markets

POWER | MONTHLY TRACKER

Strong RE capacity addition, though below target

Daily macro indicators

Indicator	22-Apr	23-Apr	Chg (%)
US 10Y yield (%)	4.61	4.60	(1bps)
India 10Y yield (%)	7.19	7.16	(3bps)
USD/INR	83.37	83.34	0.0
Brent Crude (US\$/bbl)	87.0	88.4	1.6
Dow	38,240	38,504	0.7
Hang Seng	16,512	16,829	1.9
Sensex	73,649	73,738	0.1
India FII (US\$ mn)	19-Apr	22-Apr	Chg (\$ mn)
FII-D	(98.1)	113.2	211.3
FII-E	92.5	(314.0)	(406.5)

Source: Bank of Baroda Economics Research

SUMMARY

360 ONE

- ARR AUM and ARR revenue grew 36% and 28% YoY respectively in Q4; strong commentary for growth in the medium term
- We bake in the newer businesses to constitute 2-3% of ARR AUM and ARR revenue in FY25/FY26
- Downgrade to HOLD on pricey valuations post a 13% stock price jump in CY24 YTD; TP increased to Rs 890 (from Rs 747)

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

ICICI PRUDENTIAL LIFE

- APE grew 10% YoY in Q4 (+5% YoY in FY24) beating our estimate; market share gain in individual APE is a key positive
- VNB margin declined 740bps YoY to 24.6% in FY24 and we expect the trend of low VNB margin to continue
- Maintain HOLD and raise TP to Rs 650 (from Rs 595) on a higher target FY26E P/EV of 1.7x (vs. 1.6x)

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

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TATA CONSUMER PRODUCTS

- Growth businesses continue to maintain high growth trajectory; new acquisitions to fuel growth going ahead
- Margin expanded substantially during the quarter, driven by strong performance in international business
- Product launches, increased penetration and rural expansion to drive growth; maintain BUY with SOTP-based TP of Rs 1,330

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

POWER: MONTHLY TRACKER

- FY24 saw strong capacity addition in renewables, ending the year with 18.5GW, though lower than the targeted addition of 20GW
- Thermal capacity growth was strong, as India added ~6GW of thermal capacity in FY24 (till Feb'24), compared to ~0.5GW in FY23
- The CEA estimates peak power demand to grow 7% to 260GW in FY25, well above the 243GW recorded in FY24

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

HOLD
 TP: Rs 890 | ▲ 11%

360 ONE

| Diversified Financials

| 25 April 2024

Strong quarter, but price runup limits the upside

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PAT beats estimate: Q4 PAT increased 56% YoY (+24% QoQ) to Rs 2.4bn, beating our estimate of Rs 1.9bn. Recurring revenue came in at Rs 3.6bn (+28% YoY), whereas non-recurring income grew a massive 90% YoY to Rs 2.2bn, making for overall income of Rs 6.2bn (+62% YoY, +34% QoQ) vs our estimate of Rs 4.9bn. ARR yield (calc.) softened 3bps YoY to 64bps but was flat sequentially. The C/I ratio declined sequentially to 48.2% with total costs of Rs 3.0bn. We expect an unchanged C/I ratio of 47%/45% for FY25/FY26. We raise PAT estimates by 4% for FY25 along with a marginal hike in FY26 to end at Rs 9.2bn/ Rs 11.1bn.

Strong AUM growth: 360 One’s recurring AUM grew 36% YoY (+3% QoQ) to Rs 2.3tn, with the 360 One Plus business surging 71% YoY to Rs 722bn at end-FY24. Net outflows were Rs 6.7bn for Q4 but ended FY24 with Rs 269bn, with the wealth and AMC businesses generating inflows of Rs 265bn and Rs 4bn respectively. Management expects to generate inflows of 15-20% of active ARR AUM which we believe is achievable. We built in 25%/24% YoY growth in ARR AUM to Rs 2.8tn/ Rs 3.5tn at end FY25/FY26.

Clear plans for new markets: The HNI platform with a client base worth Rs 50mn-250mn is live in Apr’24 and the global business by Oct’24. Management expects these businesses to generate 1.3%/2.5% of ARR AUM and 1.7%/3.1% of ARR revenue in FY25/FY26. Management predicts this business will be 10% of the total in the next three years.

Downgrade to HOLD post stock price runup: Baking in a strong Q4 print, we value the company at a higher 30x FY26E P/E (vs. 25x) – a 30% premium to the long-term average translating to a revised TP of Rs 890 (from Rs747). However, we downgrade to HOLD owing to a 13% run up in the stock in CY24YTD with a potential upside of 11%. We remain positive on 360 One considering continued traction in the ARR model, where recurring AUM hit Rs 2.3tn in Q4, and a well-defined expansion strategy.

Key changes

	Target	Rating
	▲	▼

Ticker/Price	360ONE IN/Rs 801
Market cap	US\$ 3.5bn
Free float	78%
3M ADV	US\$ 5.5mn
52wk high/low	Rs 901/Rs 398
Promoter/FPI/DII	22%/23%/2%

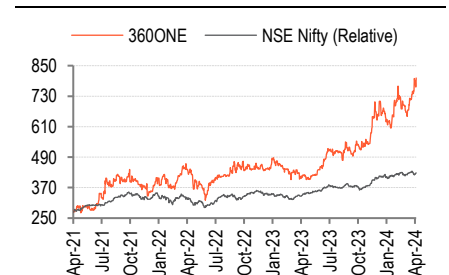
Source: NSE | Price as of 24 Apr 2024

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)	36.7	32.4	27.0
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



HOLD

TP: Rs 650 | ▲ 9%

ICICI PRUDENTIAL LIFE | Insurance

24 April 2024

Strong growth but VNB margin dwindles

- APE grew 10% YoY in Q4 (+5% YoY in FY24) beating our estimate; market share gain in individual APE is a key positive
- VNB margin declined 740bps YoY to 24.6% in FY24 and we expect the trend of low VNB margin to continue
- Maintain HOLD and raise TP to Rs 650 (from Rs 595) on a higher target FY26E P/EV of 1.7x (vs. 1.6x)

Mohit Mangal

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APE growth strong: IPRU's APE grew 10% YoY to Rs 36.2bn at end-Q4FY24 on a higher base (+5% YoY to Rs 90.5bn in FY24) and beating our estimate of Rs 32bn. Owing to buoyant equity markets, linked APE grew 77% YoY to Rs 15.7bn whereas non-linked APE declined 48% to Rs 8.8bn. The gross premium grew 17% YoY to Rs 152bn vs. Rs 125bn expected. Thus, we increase APE estimates by 12%/17% for FY25/FY26. Even higher market share in Q4 on individual APE terms is positive.

Low VNB margin to be a norm: IPRU's VNB margin contracted 140bps QoQ to 21.5% at end-Q4FY24 (-740bps YoY in FY24 to 24.6%) mainly due to the change in the product mix towards lower yielding products (ULIP and par) and cost pressures. Protection share in APE was lower at 12% in Q4FY24, with growth in retail protection being offset by a decline in group term business. Baking in the results, we lower our FY25/FY26 forecasts for VNB margin by 250bps each to 24.5%.

Bancassurance grows: APE from bancassurance climbed a strong 19% YoY at the end of Q4 to Rs 10.8bn. APE from the agency route increased by 29% YoY to Rs 11.6bn while that from direct channels expanded by 22% YoY to Rs 4.7bn, accounting for 32% and 13% of total APE respectively. The focus continued to be on strengthening the distribution network with the addition of 43,947 advisors/agents in FY24 and entering 204 new non-bank partnerships (totalling 1,112). The company has 44 bank partnerships (five added in FY24).

Higher commissions push up cost ratios: Expense ratio continued to trend upwards (18.2% in FY24 and up ~200bps YoY). However, there was some moderation in Q4 (16.8% in Q4FY24 vs 17.9% in Q4FY23 and 18.3% in Q3FY24) though the commission ratio of 10.3% was higher 60bps QoQ and 450bps YoY in Q4.

Maintain HOLD: Based on our revised estimates, we move to a new TP for IPRU of Rs 650 (from Rs 595), set at an implied FY26E P/EV of 1.7x (vs. 1.6x), a 25% discount to the long-term mean. We remain positive on aggressive growth, market share grab but remain cautious on the low VNB margins, higher expenses and decline in group business. With a 9% upside we continue to maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IPRU IN/Rs 594
Market cap	US\$ 10.4bn
Free float	27%
3M ADV	US\$ 15.1mn
52wk high/low	Rs 641/Rs 420
Promoter/FPI/DII	73%/15%/7%

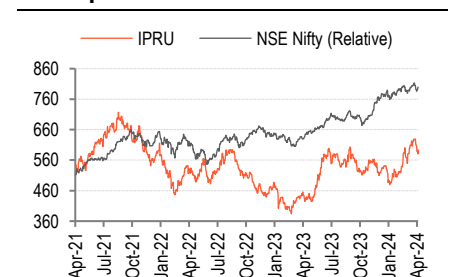
Source: NSE | Price as of 23 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NBP (Rs mn)	1,86,788	2,14,765	2,44,919
APE (Rs mn)	90,460	1,04,221	1,18,802
VNB (Rs mn)	22,253	25,534	29,107
Embedded Value (Rs mn)	4,23,358	4,83,433	5,52,186
VNB margin (%)	24.6	24.5	24.5
EVPS (Rs)	294.3	336.0	384.2
EPS (Rs)	5.9	7.5	9.3
Consensus EPS (Rs)	5.9	8.0	10.0
P/EV (x)	2.0	1.8	1.5

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

Stock performance



Source: NSE



BUY
 TP: Rs 1,330 | ▲ 20%

TATA CONSUMER PRODUCTS

Consumer Staples

24 April 2024

Strong performance in international markets

- Growth businesses continue to maintain high growth trajectory; new acquisitions to fuel growth going ahead
- Margin expanded substantially during the quarter, driven by strong performance in international business
- Product launches, increased penetration and rural expansion to drive growth; maintain BUY with SOTP-based TP of Rs 1,330

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Growth momentum sustained in Q4: TCPL maintained its growth trajectory, growing 8.5% YoY (8% constant currency [CC]) in revenue to Rs 39bn in Q4FY24 despite subdued consumer sentiment, driven by 10% growth in the India business, 5% CC growth in international business and 4% in non-branded business. EBITDA was up 23% YoY accompanied by margin expansion of 190bps YoY (+100bps QoQ) to 16%. India EBITDA increased 11% YoY with 10bps margin expansion, and international EBITDA grew 23% CC YoY with margin expansion of 270bps to 17.8% led by softer input cost and pricing intervention.

Growth businesses remain strong: Tata Sampann, Tata Soufull and NourishCo collectively grew 40% in FY24, forming 18% of the India business compared to 15% in FY23. NourishCo's revenue grew 13% YoY to Rs 2bn, owing to the delayed onset of summer. Tata Copper+ reported 29% YoY growth.

Strengthening portfolio through innovation: Innovation remains TCPL's key focus area and in line with this the company has launched one new product every week of the year. The innovation-to-sales ratio improved to 5.1% in FY24 from 3.4% in FY23. Further, TCPL has a strong product pipeline for the year ahead.

Starbucks store expansion continues: Tata Starbucks's revenue increased 7% YoY during the quarter. Growth in FY24 for the JV stood at 12% YoY despite soft Q3 and Q4 owing to lower footfall. Store expansion remained in focus with 29 net additions in Q3, taking the total count to 421 stores across 61 cities. The company aspires to reach 1,000 Starbucks stores by 2028.

Maintain BUY: TCPL continues to deliver consistent growth across markets in a difficult environment, backed by innovation, premiumisation, rural network expansion and digitisation. In the last 15-18 months, TCPL took multiple initiatives in the international markets which have also started yielding results. The stock is trading at 63.2x/53.5x FY25E/FY26E EPS. We maintain our target EV/EBITDA for the India business at 46x and the international business at 16.3x and maintain the SOTP-based TP at Rs 1,330. We maintain our BUY rating on the stock.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TATACONS IN/Rs 1,110
Market cap	US\$ 12.9bn
Free float	64%
3M ADV	US\$ 26.6mn
52wk high/low	Rs 1,269/Rs 724
Promoter/FPI/DII	34%/25%/41%

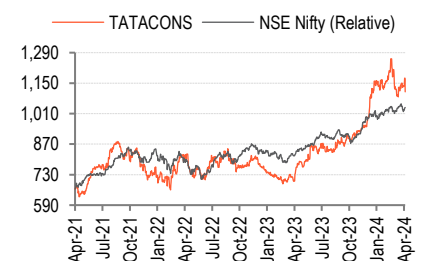
Source: NSE | Price as of 24 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	152,058	175,399	200,243
EBITDA (Rs mn)	22,841	27,453	32,039
Adj. net profit (Rs mn)	14,773	16,652	19,672
Adj. EPS (Rs)	15.9	17.9	21.2
Consensus EPS (Rs)	15.2	18.1	20.9
Adj. ROAE (%)	6.6	8.9	9.9
Adj. P/E (x)	69.8	61.9	52.4
EV/EBITDA (x)	46.3	38.5	33.0
Adj. EPS growth (%)	(5.2)	44.8	18.1

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

Stock performance



Source: NSE



Strong RE capacity addition, though below target

- FY24 saw strong capacity addition in renewables, ending the year with 18.5GW, though lower than the targeted addition of 20GW
- Thermal capacity growth was strong, as India added ~6GW of thermal capacity in FY24 (till Feb'24), compared to ~0.5GW in FY23
- The CEA estimates peak power demand to grow 7% to 260GW in FY25, well above the 243GW recorded in FY24

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Solar led renewable energy capacity addition: FY24 saw strong capacity addition in renewables, ending the year with 18.5GW of capacity compared to 15.2GW in FY23, taking renewable energy (RE) capacity to 183GW. This is still lower than the targeted capacity addition of 20GW in FY24. Solar had the lion's share of capacity addition in renewables, accounting for ~80% of the 15GW in RE capacity added (12.7GW in FY23). In FY24, the utility-scale solar segment added about 11.5GW, an increase of 18% YoY, while the rooftop solar segment added about 3GW, an increase of 34% YoY. We expect the government to bid out another 30GW of capacity in FY25. Mar'24 saw a solar capacity addition of 6.2GW.

Thermal capacity grew multifold; peak demand to increase 7% in FY25: India added ~6GW of thermal capacity in FY24 (Feb'24) compared to ~0.5GW of capacity in the previous year. The Central Electricity Authority (CEA) estimates peak power demand at 260GW in FY25, well above the 243GW recorded in FY24. This has taken the overall coal capacity in the country to 210GW (Feb'24) and overall thermal capacity to 243 GW and overall installed capacity to 434GW in FY24.

Peak demand was stable in Mar'24: Peak demand in Mar (222GW) nearly matched that of Feb (223GW) – representing 5.9% growth YoY in peak demand. However, the entire peak demand was met in the month of Mar'24. The average thermal plant load factors continue to be in the range of 68-69%, with FY24 likely to end in the same range.

Transmission infrastructure rises MoM, but lags FY target: A total of 14,203ckm of transmission line capacity was added in FY24, of which 3,512ckm was added in Mar. The CEA's monthly capacity addition target was exceeded, but FY addition stood 14.9% below target (36% earlier). Under tariff-based competitive bidding (TBCB), nine projects were commissioned during the year, while 36 new projects were awarded to transmission companies.



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BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 21 June 2021

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