

RESEARCH
BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | IMPACT OF WORLD CUP ON INDIA

Hitman and King's cover drives to boost India's GDP

BAJAJ FINANCE | TARGET: Rs 9,105 | +14% | BUY

Making strides

Daily macro indicators

Indicator	02-Oct	03-Oct	Chg (%)
US 10Y yield (%)	4.68	4.80	12bps
India 10Y yield (%)	7.22	7.23	2bps
USD/INR	83.04	83.21	(0.2)
Brent Crude (US\$/bbl)	90.7	90.9	0.2
Dow	33,433	33,002	(1.3)
Hang Seng	17,810	17,331	(2.7)
Sensex	65,828	65,512	(0.5)
India FII (US\$ mn)	27-Sep	28-Sep	Chg (\$ mn)
FII-D	(28.2)	103.3	131.5
FII-E	(263.1)	(344.9)	(81.8)

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: BONDS WRAP

Global yields witnessed quite a bit off sell off both in Sep'23 and in Oct'23 (till 3 Oct 2023). This was led by sharp increase in US 10Y yield which rose to its level seen last in 2007. Tighter labour market conditions, uncertainty over the trajectory of inflation and mixed signaling on demand front, all contributed towards expectation of a tightening policy response from Fed. India's 10Y yield has still been immune to that increase compared to its major peers. The positive news from inclusion in the JP Morgan Bond Index and stable demand from PSBs and Mutual fund have arrested its increase.

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

INDIA ECONOMICS: IMPACT OF WORLD CUP ON INDIA

India is set to host the ICC-Men's World Cup, for the first time since 2011. Interestingly, India last won the World Cup in 2011, and hence expectations from sports enthusiasts are high. Not only is the World Cup expected to lift cricketing sentiments, it is also anticipated to give a boost to the domestic economy. With an event this big, assessing the economic impact is not easy and there is always the possibility of grossly overstating or understating the numbers. In this study, we have tried to analyze the same by taking both a conservative as well as an optimistic scenario. An attempt has been made to address both the direct and indirect impact through ticket sales, sponsorships, hotels, screening, deliveries etc. Based on our analysis, we estimate a boost of Rs. 18,000-Rs. 22,000 crores on gross output. Most of this will be concentrated in the services sector, with hospitality sector benefitting the most.

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

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BAJAJ FINANCE

- Early data from BAF shows 33% YoY growth in H1 AUM, tracking above the full-year guided range of 29-31%
- Continued strong AUM growth could trigger our bull case and fuel above-expected profits
- Strong AUM growth, solid execution and seasoned management should help fend off competition; maintain BUY, TP Rs 9,105

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BONDS WRAP

04 October 2023

Fortnightly review

Global yields witnessed quite a bit of sell off both in Sep'23 and in Oct'23 (till 3 Oct 2023). This was led by sharp increase in US 10Y yield which rose to its level seen last in 2007. Tighter labour market conditions, uncertainty over the trajectory of inflation and mixed signaling on demand front, all contributed towards expectation of a tightening policy response from Fed. India's 10Y yield has still been immune to that increase compared to its major peers. The positive news from inclusion in the JP Morgan Bond Index and stable demand from PSBs and Mutual fund have arrested its increase.

Dipanwita Mazumdar
Economist

Going forward we expect however some pressure on India's yield to persist. It is expected to trade in the range of 7.15-7.25% in the current month. The upward bias exists as there is fair degree of correlation between the movement of India and US 10Y yield. Liquidity is also expected to be in deficit in the current month in the range of 0.1-0.3% of NDTL. RBI's tools will lend support.

Selling rout visible in global yields:

- Anticipation of tighter monetary policy with US Fed leading the pack, followed by volatility in oil prices (on an average 8.8% increase in Sep-23 compared to Aug-23) and a sharper rise in dollar led to selling spree in global bond market. In Sep-23, US 10Y yield rose by 46bps compared to last close of Aug-23. As per CME Fed watch data, the likelihood of a rise in Fed fund rate rose to 28.1% from previous week's level of 16.4%. Fed officials such as Michelle Bowman, Loretta Mester and Raphael Bostic also reiterated for a tighter policy.
- The recent PCE deflator, stable personal income, sticky inflation expectations as well as a tighter employment index all pointed towards a restrictive monetary policy on part of Fed. As of 3 Oct 2023, the entire US yield curve has shifted up considerably with significant increase in yield being visible in the 5-30Year part of the curve.

Table 1. 10Y Yields movement globally

Countries	10Y sovereign yield, 31 Aug 2023	10Y sovereign yield, 29 Sep 2023	10Y sovereign yield, 3 Oct 2023	Change in 10Y yield, Sep-23/Aug-23	Change in 10Y yield, Oct-23/Sep-23
Indonesia	6.38	6.91	7.02	54	11
US	4.11	4.57	4.80	46	22
Thailand	2.76	3.14	-	38	-
Germany	2.47	2.84	2.97	37	13
Singapore	3.13	3.39	3.38	26	0
Korea	3.83	4.01	-	19	-
Japan	0.65	0.77	0.77	11	0
China	2.58	2.68	-	10	-
UK	4.36	4.44	4.60	8	16
India	7.16	7.22	7.23	5	2

Source: Bloomberg, Bank of Baroda Research



IMPACT OF WORLD CUP ON INDIA

04 October 2023

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Jahnvi Prabhakar | Aditi Gupta
Economist

Introduction

The World Cup is set to begin from the 5th of October and the cricket fever has gripped the nation. India is hosting the event for the fourth time. The tournament is spread over 45 days with 48 matches between 10 teams. We estimate that at least around 25 lakh people are set to witness the sporting extravaganza at the 10 venues across the country for the 48 matches to be played, while even a larger number is expected to watch the highly anticipated tournament from their homes across the globe. Organizing a tournament of this magnitude is likely to bring in considerable economic benefits for India.

There are a number of facts which need to be considered here. The event is expected to draw people from all over the world, and hence ticket sales will be a huge source of revenues. Apart from this, the aviation and transport industry will also see an uptick. Hospitality sector comprising hotels, food industry and delivery services will also see a brisk increase in their businesses. There is also the case for sentimental purchases of merchandise. This is particularly important as the World Cup also coincides with the peak festive season in India which suggests that retail demand may see a leg-up. We have tried to ascertain the overall impact of the World Cup with certain caveats in the next section.

Assessing the sector-wise impact

Our estimates for each of the sector/activity are presented in Table 1 below. We are giving both conservative as well as optimistic estimates for each of the head, based on certain assumptions.

First and foremost, ticket sales will be an important item of spending. Based on the stadium capacity and charges for each ticket, we expect the total ticket sales to the tune of Rs. 1,600-2,200 crores. This is based on the assumption of varied attendance for each match with all India games registering 100% attendance.



BUY

TP: Rs 9,105 | ▲ 14%

BAJAJ FINANCE

| NBFC

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Mohit Mangal

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Robust AUM growth: BAF has posted 33% YoY (7% QoQ) growth in AUM to Rs 2.9tn as of Q2FY24 – a positive surprise when compared with the guided range of 29-31% and our estimate of 29% for full-year FY24. AUM increased by Rs 428bn in H1FY24 vs. Rs 208bn in H1FY23. Deposits grew 39% YoY to Rs 548bn and the consolidated net liquidity surplus was strong at Rs 114bn. The company's proposal to raise capital through a qualified institutional placement (QIP) and/or a preferential issue will be placed before the board tomorrow and will serve as an indicator of growth potential.

Potential to trigger our bull case: In our recent [initiation report on BAF](#), we had highlighted that in the bull case, the company could post a 33.5% AUM CAGR over FY23-FY25 as compared to 28% in the base case. Should the bull case be triggered, BAF could post above-expected profits over our forecast period.

Strong volumes and customer acquisition: The company's customer franchise stood at 76.6mn at end-Q2FY24 vs. 62.9mn in Q2FY23. It added 3.6mn customers during the quarter and 7.4mn in H1FY24, in line with its earlier guidance of 12-13mn additions during FY24. New loans booked during Q2 grew by 26% YoY to 8.5mn as compared to 6.8mn in Q2FY23.

Maintain BUY: We remain bullish on BAF and believe its robust AUM growth, diverse business model, efficient execution and seasoned leadership team will enable it to withstand growing competition and to manage asset quality risks in new ventures such as microfinance. We continue to value the standalone business at 6.6x FY25E ABV (Rs 8,619/sh), a 20% premium to the long-term average, and add Rs 482/sh for housing arm BHFL (2x FY25E BV) and Rs 4/sh for securities subsidiary BFSL (15x FY25E EPS) to arrive at our SOTP-based TP of Rs 9,105. BUY.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	BAF IN/Rs 7,968
Market cap	US\$ 18.4bn
Free float	44%
3M ADV	US\$ 88.7mn
52wk high/low	Rs 8,000/Rs 5,486
Promoter/FPI/DII	56%/20%/13%

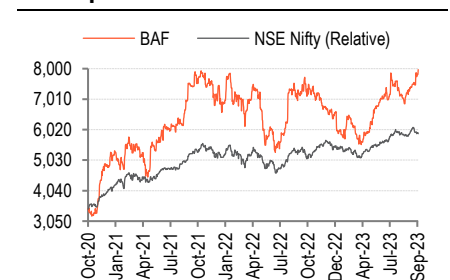
Source: NSE | Price as of 3 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NII (Rs mn)	2,29,903	2,85,451	3,63,124
NII growth (%)	31.2	24.2	27.2
Adj. net profit (Rs mn)	1,15,077	1,44,966	1,85,079
EPS (Rs)	189.6	238.7	304.8
Consensus EPS (Rs)	189.6	233.0	290.0
P/E (x)	42.0	33.4	26.1
P/BV (x)	8.9	7.3	5.9
ROA (%)	4.7	4.6	4.6
ROE (%)	23.5	23.9	24.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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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