

RESEARCH
BOB ECONOMICS RESEARCH | MONETARY POLICY REVIEW

RBI remains on hold

DIVERSIFIED FINANCIALS | Q4FY24 PREVIEW

Steady quarter

Daily macro indicators

Indicator	03-Apr	04-Apr	Chg (%)
US 10Y yield (%)	4.35	4.31	(4bps)
India 10Y yield (%)	7.10	7.09	(1bps)
USD/INR	83.43	83.45	0.0
Brent Crude (US\$/bbl)	89.4	90.7	1.5
Dow	39,127	38,597	(1.4)
Hang Seng	16,932	16,725	(1.2)
Sensex	73,877	74,228	0.5
India FII (US\$ mn)	02-Apr	03-Apr	Chg (\$ mn)
FII-D	119.3	(438.0)	(557.3)
FII-E	(53.7)	(150.4)	(96.8)

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: MONETARY POLICY REVIEW

In its first monetary policy for FY25, MPC has kept the policy rates on hold, with repo rate at 6.5%, SDF at 6.25% and MSF and bank rate at 6.75%. The policy rates have not been changed for the 7th consecutive time. The RBI has also retained the stance of “withdrawal of accommodation”. These decisions were voted with the majority of 5-1. MPC noted the policy needs to be disinflationary in order to warrant the anchoring of inflationary expectation and fuller transmission of rates. It was reaffirmed that MPC remains focused in its commitment with the objective to align inflation to the target. RBI expects GDP growth at a robust 7% in FY25 and inflation is projected at 4.5% with downward revision in quarterly projection. On liquidity management, RBI reiterated it will remain flexible and nimble in its approach. In the coming months, we foresee no change in rate decision by RBI before Aug’24.

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

DIVERSIFIED FINANCIALS: Q4FY24 PREVIEW

- 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)

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MONETARY POLICY REVIEW

05 April 2024

RBI remains on hold

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Jahnvi Prabhakar
Economist

Policy rates unchanged: In line with our expectation, RBI has maintained status quo on policy decisions, with a vote of 5-1 thereby keeping the repo rate unchanged at 6.5%. Subsequently, SDF rate remains at 6.25% and MSF and Bank rate at 6.75%. RBI has also retained the stance of “withdrawal of accommodation”. One of the members out of 6-member panel dissented with the decision and voted for a 25bps rate cut and changing the stance to ‘neutral’. It was noted that the MPC continues to ‘remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth’. Going forward, we expect RBI will remain data dependent and a rate action is only possible in Aug’24.

GDP growth: Post the second advance estimates by NSO that expects the economy to clock 7.6% growth in FY24, RBI has retained its growth projection for FY25 at 7%. Notably the quarterly projections have been revised, with growth in Q1 now estimated at 7.1% (versus 7.2% in Dec’23 policy), Q2 revised higher at 6.9% (6.8% earlier), Q3 at 7% (same as earlier) and Q4 also revised higher at 7% (from 6.9%). The strong growth in FY25 will be led by support from following factors: upturn in private capex cycle which is expected to turn broad-based, healthy corporate balance sheets, strong and persistent government capital expenditure, rising prospects of global growth and trade, strengthening rural demand and sustained pickup in manufacturing and services activity which will boost private consumption. While the overall risks to the outlook are evenly balanced, there are some headwinds on account of geo political tensions and some disruptions in trade routes. We believe RBI’s FY25 growth projection to be slightly less optimistic and retain our estimates at 7.8%.



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

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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



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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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