MOTILAL OSWAL FINANCIAL SERVICES

17 January 2024

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	73,129	-0.3	20.5
Nifty-50	22,032	-0.3	22.0
Nifty-M 100	47,667	-0.4	51.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,759	-0.5	24.6
Nasdaq	14,914	-0.4	43.1
FTSE 100	7,558	-0.5	1.9
DAX	16,572	-0.3	19.4
Hang Seng	5,343	-1.9	-18.8
Nikkei 225	35,619	-0.8	37.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	80	0.9	-2.8
Gold ($/OZ)	2,029	-1.4	12.7
Cu (US$/MT)	8,284	0.0	-1.0
Almn (US$/MT)	2,154	0.0	-8.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.1	0.2	0.2
USD/EUR	1.1	-0.7	2.3
USD/JPY	147.2	1.0	11.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.1	0.00	-0.2
10 Yrs AAA Corp	7.6	-0.01	-0.1
Flows (USD b)	**16-Jan**	**MTD**	**CY23YTD**
FIIs	0.1	7.10	21.4
DIIs	-0.04	1.51	22.3
Volumes (INRb)	**16-Jan**	**MTD***	**YTD***
Cash	1,250	1112	1112
F&O	4,07,015	3,78,812	3,78,812

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Cipla: Striving for sustainable growth beyond FY24

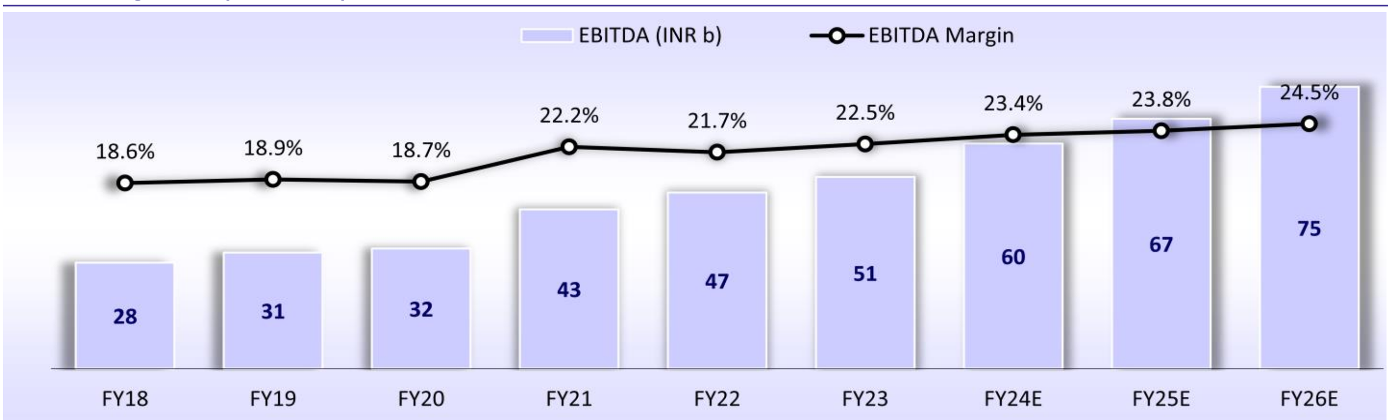
- Cipla remains our top-pick in the large-cap pharma space, given: a) its three-pronged growth levers in India, b) a robust ANDA pipeline to overcome price erosion and deliver growth, and c) a de-risked regulatory factor through filings from the alternate sites. After exhibiting a moderate 7% YoY earnings growth in FY23, we expect Cipla to end FY24 on a strong note with a 26% YoY earnings growth.
- Cipla has executed efforts to improve its growth outlook beyond FY24. Hence, we model a 13% earnings CAGR over FY24-26. We value Cipla at 25x 12-month forward earnings and add an NPV of INR30 for g-Revlimid to arrive at our TP of INR1,540. We maintain our BUY rating on the stock.

Research covered

Cos/Sector	Key Highlights
Cipla	Striving for sustainable growth beyond FY24 Earnings in
HDFC Bank	line; margins flat QoQ
ICICI Lombard	Combined ratio misses estimate on higher opex
L&T Technology	Strong deal wins and commentary indicate good FY25
Federal Bank	In-line earnings; lower provisions drive earnings beat
Angel One	Higher CIR adversely impacts profitability
ICICI Securities	IB revenue and MTF book drove overall profitability
EcoScope	Budget Preview: 5.2% or 5.4% of GDP for FY25BE?

Chart of the Day: Cipla (Striving for sustainable growth beyond FY24)

EBITDA margin to expand 110bp over FY24-26



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In the news today

Kindly click on textbox for the detailed news link

1

RBI approves Praveen Achuthan Kutty's appointment as DCB Bank MD & CEO

The appointment is for a period of three years with effect from April 29, 2024 , the bank said in a regulatory filing

2

HDFC Bank expects to start IPO process of HDB Financial Services in next few months, says CFO

For the October-December quarter of the financial year (FY) 2023-24, HDB Financial Services reported a profit of Rs 640 crore compared to Rs 500 crore last year

3

Automobile industry will contribute to India's rise as third largest economy

The Ministry of Heavy Industries is overseeing the Rs 25,938 crore Production Linked Incentive (PLI) scheme for Automobile and Auto Components (PLI-AUTO Scheme).

4

CCI clears amalgamation involving Shriram Group entities

The Shriram Group is one of the largest and well-respected financial services conglomerates. Its main line of activities in financial services includes truck financing, consumer durable financing, stock broking, insurance broking, and life insurance, etc

5

More than 30 major retail brands entered 14 Tier-II cities during Jan-Sep period last year: Report

Over 30 retail brands, including Croma, Armani Exchange, Malabar Gold & Diamonds, Reliance Smart, Tanishq, H&M, Marks & Spencer, GAP, Starbucks, Pizza Express, and Under Armour, have opened stores in 14 Tier-II cities.

6

Insurance sector’s premium income to double by FY34 to around $450 billion: Report

The report further said over the next five years (2024-28), the total insurance premium income of domestic insurer are likely to grow 7.1 per cent annually in real terms.

7

Telecom towers require Rs 2-3 lakh cr per annum for maintenance, says BSNL chairman

For running the towners, revenue streams equivalent to running costs need to be created.

Cipla

BSE SENSEX	S&P CNX
73,129	22,032

Cipla

Bloomberg	CIPLA IN
Equity Shares (m)	805
M.Cap.(INRb)/(USDb)	1051.5 / 12.7
52-Week Range (INR)	1341 / 852
1, 6, 12 Rel. Per (%)	5/14/0
12M Avg Val (INR M)	2107

Financials &Valuations (INR b)

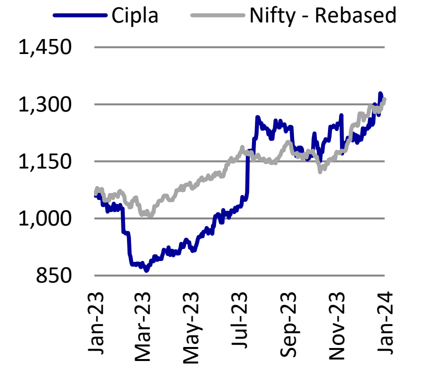
Y/E MARCH	FY23	FY24E	FY25E
Sales	227.5	256.7	280.3
EBITDA	51.1	60.1	66.7
Adj. PAT	30.5	38.3	42.9
EBIT Margin (%)	17.3	19.3	19.8
Cons. Adj. EPS (INR)	37.8	47.4	53.1
EPS Gr. (%)	6.8	25.7	12.0
BV/Sh. (INR)	284.2	324.9	372.1
Ratios			
Net D:E	0.0	-0.1	-0.2
RoE (%)	13.3	14.6	14.3
RoCE (%)	13.5	15.5	15.0
Payout (%)	10.3	10.2	11.3
Valuations			
P/E (x)	34.5	27.4	24.5
EV/EBITDA (x)	20.4	16.9	14.8
EV/Sales (x)	4.6	4.0	3.5
Div. Yield (%)	0.2	0.3	0.4
FCF Yield (%)	0.9	3.3	3.4
EV/Sales (x)	4.6	4.0	3.5

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	33.4	33.4	33.4
DII	24.1	24.3	21.6
FII	25.9	25.6	28.1
Others	16.7	16.7	16.9

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR1,302 TP: INR1,540 (+18%) Buy

Striving for sustainable growth beyond FY24

A robust ANDA pipeline to overcome price erosion and deliver growth

- **After exhibiting a moderate 7% YoY earnings growth in FY23, we expect Cipla to end FY24 on a strong note with a 26% YoY earnings growth. Cipla has executed efforts to improve its growth outlook beyond FY24.**
- **On the India business front, in particular, Cipla is working to not only enhance its prescription base but also strengthen its trade generics and consumer healthcare businesses.**
- **Even in the US generics segment, Cipla is developing a pipeline of difficult-to-manufacture products, including respiratory and peptide products, to sustain its growth momentum.**
- **Hence, we model a 13% earnings CAGR over FY24-26. We value Cipla at 25x 12-month forward earnings and add an NPV of INR30 for g-Revlimid to arrive at our TP of INR1,540.**
- **Cipla remains our top-pick in the large-cap pharma space, given: a) its three-pronged growth levers in India, b) a robust ANDA pipeline to overcome price erosion and deliver growth, and c) a de-risked regulatory factor through filings from the alternate sites. We maintain our BUY rating on the stock.**

One India: Multi-prong drivers of growth

- The One India business posted an 11% CAGR over FY18-23, driven by robust traction due to strong execution across portfolios and distribution synergies.
- The branded Rx segment is outperforming IPM consistently backed by market share gains in the base portfolio and new launches.
- In the Trade generics market, Cipla continues to consolidate its leadership position aided by steady performance across realization, volume, and a lower cost of goods. Cipla intends to retain its leadership position via strong retail connectivity, utilization of phygital media, and customer-centric communication.
- The company is looking to strengthen its consumer health segment by transforming it into an INR10b business over the next few years from INR6b in FY23. In addition, margins are expected to improve to the mid-teens in FY24.
- We expect a 12% sales CAGR in the domestic formulation (DF) business, which would reach INR134b over FY24-26.

US: Enhanced focus on complex products

- The US segment witnessed an 11% sales CAGR over FY18-23 to USD733m. It was driven by robust performance in the base portfolio, complemented by market share gains in niche products, such as g-Revlimid, and lanreotide.
- Cipla has planned differentiated launches, such as g-Advair and g-Abraxane, to drive the growth momentum in the US segment.
- We expect the US sales to report 9% CAGR over FY24-26 to reach USD1b.

SAGA: Reduced tender business drags overall show

- Over FY18-23, the SAGA segment underperformed in the tender business leading to a 5% compounded decline in sales (in USD terms).

- However, Cipla raised the share of the private market segment to 53% in 1HFY24 from 36% in FY18.
- The company is focusing on its M&A strategy to enhance its presence in the SA market. Recently, it has acquired Actor Pharma to boost its OTC portfolio, while divesting its stake from QCIL.
- We project a 6% sales CAGR in SAGA to INR37b over FY24-26.

Valuation and view: Remains our top-pick in the large-cap pharma space

- We expect 13% earnings CAGR for Cipla over FY24-26, factoring in: a) its market-beating growth in the prescription segment, b) its efforts to enhance the NA product pipeline with differentiated products, and c) its improving profitability in the consumer health business.
- We value Cipla at 25x 12-month forward earnings and add an NPV of INR30 for g-Revlimid to arrive at our TP of INR1,540. **Reiterate BUY.**

HDFC Bank

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	HDFCB IN
Equity Shares (m)	7538
M.Cap.(INRb)/(USDb)	12748.9 / 153.5
52-Week Range (INR)	1758 / 1460
1, 6, 12 Rel. Per (%)	-1/-11/-17
12M Avg Val (INR M)	26842

Financials & Valuations (INR b)

Y/E	FY23	FY24E	FY25E
NII	868	1,097	1,330
OP	704	898	1,105
NP	441	606	731
NIM (%)	4.1	3.4	3.6
EPS (INR)	79.3	79.8	96.2
EPS Gr. (%)	18.6	0.6	20.6
BV/Sh. (INR)	502	570	646
ABV/Sh. (INR)	490	556	631
Ratios			
RoE (%)	17.0	14.6	15.8
RoA (%)	1.9	1.8	1.9
Valuations			
P/E(X)	21.2	21.0	17.4
P/BV (X)	3.3	2.9	2.6
P/ABV (X)	3.0	2.6	2.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	0.0	0.0	20.9
DII	26.6	26.5	23.0
FII	58.8	58.6	44.8
Others	14.6	11.5	11.4

FII Includes depository receipts

CMP: INR1,679 TP: INR1,950 (+16%) Buy

Earnings in line; margins flat QoQ

LCR ratio contracts sharply

- HDFC Bank (HDFCB) reported a mixed quarter with in-line PPOP and PAT, while deposit growth was modest at ~1.9% QoQ.
- Margin remained flat at 3.4% despite a rise in the CD ratio and deployment of excess liquidity on the balance sheet as LCR declined sharply to 110%.
- NII thus came in slightly lower than our estimate, but healthy other income (boosted by the treasury gains) led to in-line profitability.
- GNPA ratio improved 8bp QoQ to 1.3%, while PCR improved to 75%. Fresh slippages moderated to INR70b/1.2% of loans.
- We estimate HDFCB to deliver 17%/19% CAGR in loan/deposit over FY24-26, while earnings compound at 20% CAGR, translating into an RoA/RoE of 1.9%/16.7% by FY26. **We reiterate our BUY rating with a TP of INR1,950 (premised on 2.5x Sep'25E ABV + INR223 for subs).**

Revenue growth in line; healthy other income supports profitability

- NII came in 2% lower than MOFSLe as reported margins stood flat at 3.4%. 'Other income' stood higher than our estimate at INR111b, aided by healthy treasury gains coupled with strong traction in core fees. During 9MFY24, PAT grew 22% YoY to INR541b vs. INR321b (ex-merger) over 9MFY23.
- Opex was in line at INR160b, as the bank continued with its aggressive employee addition and made further investment in business besides raising the mix of retail assets. The C/I ratio thus stood at 40.3% (core C/I ratio at 41.9%). PPoP was in line with our estimate at INR227b during the quarter.
- Loan growth was robust at 4.9% QoQ, led by robust growth in retail and continued traction in Commercial and Rural banking, while some pick-up was seen in the corporate segment as well. Deposit growth was a laggard at 1.9% QoQ, while the CASA ratio was broadly flat at 38%.
- On the asset quality front, GNPA/NNPA ratios improved to 1.3%/0.3%, as slippages moderated to INR70b/1.2% of loans supported by healthy recoveries and accelerated write-offs. PCR stood healthy at 75%, while the bank carried floating and contingent provisions at INR154b/0.6% of loans. CAR for the bank stood at 18.4% with Tier 1 at 16.8% (CET1 at 16.3%).
- **Subsidiary performance:** Revenue growth for HDFC Securities stood healthy at 40% YoY to INR7b, while PAT too grew 13% YoY to INR2.3b. HDB Financial reported 29% YoY/8% QoQ growth in loans to INR840b while PAT stood at INR6.4b vs. INR5.0b in 3QFY23. GS-3 assets stood at 2.3% (down 13bp QoQ), while CAR stood at 18% for the quarter.

Highlights from management commentary

- Margin is currently at the lower end of the spectrum and should recover to 3.7% in 18-24 months.
- Contingent and floating provisions amounted to INR154b, and general provision amounted to INR104b as of 3QFY24.

- Additional contingent provision of INR12.2b was provided for in 3QFY24.
- The bank is confident in its growth trajectory as it has been able to maintain its incremental market share of ~16-20%, despite the increase in bank size.
- HDFCB has reported a credit cost of 49bp in 3QFY24 vs. 74bp in 3QFY23. The decline in credit cost will allow for higher investments in subsidiaries and technology.

Valuation and view

HDFCB reported an in-line earnings led by healthy other income and steady loan growth. Margins stood largely flat (slightly below our expectations) even as the bank deployed excess liquidity and significantly drew down the LCR ratio. Loan growth was healthy driven by growth in retail and continued traction in Commercial and Rural banking. Asset quality ratios improved while PCR also inched up to ~75%. The bank has continued to maintain 0.6% buffer of floating + contingent provisions, which provides additional comfort. Management suggested that NIMs will improve gradually over the coming years, which along with an improvement in operating leverage will enable the bank to deliver healthy return ratios. We estimate HDFCB to deliver faster deposit growth at 19% CAGR while loan growth to sustain at 17% CAGR over FY24-26. We thus estimate HDFCB to deliver an FY26E RoA/RoE of 1.9%/16.7%. **We reiterate our BUY rating with a TP of INR1,950 (premised on 2.5x Sep'25E ABV + INR223 for subs).**

Quarterly performance **(INR b)**

	FY23				FY24				FY23	FY24E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**194.8**	**210.2**	**229.9**	**233.5**	**236.0**	**273.9**	**284.7**	**302.0**	**868.4**	**1,096.5**	**291.4**	**-2.3**
% Change (Y-o-Y)	14.5	18.9	24.6	23.7	21.1	30.3	23.9	29.3	20.6	26.3	26.8	
Other Income	63.9	76.0	85.0	87.3	92.3	107.1	111.4	113.8	312.1	424.5	109.6	1.6
Total Income	**258.7**	**286.2**	**314.9**	**320.8**	**328.3**	**380.9**	**396.1**	**415.8**	**1,180.6**	**1,521.1**	**401.0**	**-1.2**
Operating Expenses	105.0	112.2	124.6	134.6	140.6	154.0	159.6	168.9	476.5	623.0	160.8	-0.8
Operating Profit	**153.7**	**173.9**	**190.2**	**186.2**	**187.7**	**226.9**	**236.5**	**246.9**	**704.0**	**898.0**	**240.2**	**-1.5**
% Change (Y-o-Y)	1.5	10.0	13.4	13.8	22.2	30.5	24.3	32.6	9.9	27.5	26.2	
Provisions	31.9	32.4	28.1	26.9	28.6	29.0	42.2	31.4	119.2	131.2	29.2	44.2
Profit before Tax	**121.8**	**141.5**	**162.2**	**159.4**	**159.1**	**197.9**	**194.3**	**215.4**	**584.9**	**766.8**	**210.9**	**-7.9**
Tax	29.8	35.5	39.6	38.9	39.6	38.1	30.6	52.7	143.8	161.0	48.5	
Net Profit	**92.0**	**106.1**	**122.6**	**120.5**	**119.5**	**159.8**	**163.7**	**162.7**	**441.1**	**605.8**	**162.4**	**0.8**
% Change (Y-o-Y)	19.0	20.1	18.5	19.8	30.0	50.6	33.5	35.1	19.3	37.3	32.5	
Operating Parameters												
Deposit	16,048	16,734	17,332	18,834	19,131	21,729	22,140	23,783	18,834	23,783	22,747	-2.7
Loan	13,951	14,799	15,068	16,006	16,157	23,312	24,461	25,163	16,006	25,163	24,007	1.9
Deposit Growth (%)	19.2	19.0	19.9	20.8	19.2	29.8	27.7	26.3	20.8	26.3	31.2	-3.5
Loan Growth (%)	21.6	23.4	19.5	16.9	15.8	57.5	62.3	57.2	16.9	57.2	59.3	3.0
Asset Quality												
Gross NPA (%)	1.3	1.2	1.2	1.1	1.2	1.3	1.3	1.3	1.1	1.3	1.3	-0.1
Net NPA (%)	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.0
PCR (%)	72.9	73.3	73.2	75.8	73.3	73.3	75.3	75.2	75.8	75.2	73.4	1.9

E: MOFSL Estimates; * Reported on total assets; # Cal. on interest earning assets

ICICI Lombard

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USDb)	676.5 / 8.1
52-Week Range (INR)	1492 / 1049
1, 6, 12 Rel. Per (%)	-8/-13/-13
12M Avg Val (INR M)	797

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
NEP	166.2	191.2	220.8
U/W Profit	-9.6	-9.0	-9.8
PBT	26.0	31.8	36.3
PAT	19.5	23.8	27.2
EPS (INR/share)	39.7	48.6	55.4
EPS Growth (%)	12.7	22.4	14.1
BVPS (INR/share)	237.4	269.7	308.9
Ratios (%)			
Claims	71.7	71.0	70.9
Commission	15.3	15.5	15.6
Expense	16.1	15.5	15.1
Combined	103.1	102.0	101.6
RoE	17.7	19.2	19.2
Valuations			
P/E (x)	34.6	28.3	24.8
P/BV (x)	5.8	5.1	4.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	48.0	48.0	48.0
DII	18.6	18.3	16.0
FII	22.4	22.0	24.1
Others	11.7	11.7	11.9

FII Includes depository receipts

CMP: INR1,374 TP:INR1,650 (+20%) Buy

Combined ratio misses estimate on higher opex

- ICICI Lombard's (ICICIGI) NEP came in line with our estimate at INR43b (up 14% YoY). Investment income from policyholders and shareholders' accounts came in lower than our estimates, which led to a miss in PAT in 3QFY24.
- The claims ratio came in at 70.0% vs. 70.7% in 2QFY24. It was broadly in line with our estimate of 70.5%. The combined ratio stood at 103.6% vs. 103.9% in 2QFY24.
- PAT grew 22% YoY but declined 25% QoQ to INR4.3b. PAT came in 27% lower than our estimate.
- For 9MFY24, NEP/PAT grew by 13%/20% to INR125b/INR14b.
- The company has maintained its guidance of a combined ratio of 102% by FY25. We have cut our estimates to factor in lower-than-estimated performance in 3Q, leading to an EPS cut of 4.5%/4.6% for FY24/FY25. **Reiterate BUY with a TP of INR1,650 (premised on 30x FY26E).**

Low capital gains dent investment income

- **Gross domestic premium** income grew 15% YoY in 3QFY24 to INR64b. It was 4.5% above our estimate.
- ICICIGI's NEP was broadly in line with our estimate at INR43b, up 14% YoY. NEP for Health business grew by 38% YoY, led by group health growth of 42% and retail health growth of 21%. Motor segment was flat YoY and Marine segment grew 21% YoY. NEP in Crop was higher by 52% YoY, while it was down 14% YoY in Fire.
- **Underwriting loss** stood at INR2.8b vs. a loss of INR1.5b in 2QFY24 and higher than our estimate of a loss of INR1.7b.
- **Investment income** was lower than our expectation (on policyholders account 10% miss and on shareholders account 13% miss), due to low capital gains in 3Q at INR 1.08b vs. INR1.64b in 2QFY24.

Claims ratio broadly in line

- **Claims ratio** came in at 70.0% vs. 70.7% in 2QFY24. It was broadly in line with our estimate of 70.5%. On YoY basis, the loss ratio for the Motor OD segment declined to 64.9% from 73%, whereas the loss ratio for the Motor TP was flat YoY at 61.6% in 3QFY24.
- **Combined ratio** came in at 103.6% vs. 103.9% in 2QFY24 and 104.4% in 3QFY23. (vs. our estimate of 102.2%). Excluding the impact of CAT losses of INR 1.37b, the combined ratio was 102.6% in 9MFY24.
- On a sequential basis, the **commission ratio** increased to 18% in 3QFY24 from 17.4% in 2QFY24 (our expectation of 14.7%).
- **Expense ratio** declined to 15.5% from 15.8% in 2QFY24 (vs. our expectation of 17.0%).
- **Total expense ratio** came in at 33.5% vs. 33.2% in 2QFY24 (vs. our expectation of 31.7%).
- **Solvency ratio** was at 2.57 vs. 2.59 in 2QFY24.

Highlights from the management commentary

- A new philosophy is being implemented 'One IL one team', which would benefit revenue and profitability over the medium term.
- If period of limitation on motor TP claim is implemented, the frequency of claims can reduce at the industry level. ICICIGI works with 12-13% claim inflation assumption in reserve creation, which is higher than the industry, and hence the benefit will be higher compared to the industry.
- Some semblance has been seen with respect to competition in the motor segment, which is reflected in loss ratio declining from 93% to 87% on YoY basis. ICICIGI expects motor OD loss ratios to be in 60-65% range, while for Motor TP segment, 65-70% is the comfortable zone.

Valuation and view: Cut in estimates; retain BUY

Going ahead, growth in the Motor segment is likely to be back-ended, with the company waiting for the rationalization of pricing in the OD segment. In the Health segment, the benefits of price hikes and improving the efficiency of the agency channel should translate into better profitability. Scale benefits, a favorable product mix (higher share of retail health), and improvements in efficiencies across channels should help ICICIGI improve the combined ratio and RoE over the next couple of years. The management has maintained its guidance of high-teen growth in premium and combined ratio (of 102%) by FY25. We have cut our estimates to factor in lower-than-estimated performance in 3Q, leading to an EPS cut of 4.5%/4.6% for FY24/FY25. Reiterate BUY with a TP of INR1,650 (premised on 30x FY26E).

Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24E	3QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross premium	55,298	53,026	55,997	53,397	66,221	62,723	64,366	63,378	2,10,251	2,46,225	61,613	4.5
Net written premium	36,233	37,059	41,630	40,473	44,676	42,401	46,907	46,187	1,55,395	1,80,172	46,210	1.5
Net earned premium	34,682	38,366	37,921	37,260	38,873	43,061	43,048	41,173	1,48,229	1,66,155	43,899	-1.9
Investment Income + Trf from SH A/C	5,101	6,625	5,700	15,296	6,507	7,431	6,983	7,680	32,721	28,601	7,789	-10.3
Total Income	**39,783**	**44,990**	**43,620**	**52,556**	**45,380**	**50,492**	**50,031**	**48,853**	**1,80,949**	**1,94,757**	**51,688**	**-3.2**
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	12.2	14.7	-7.0	12.2	7.6	18.5	
Incurred claims	24,999	27,933	26,663	27,662	28,815	30,451	30,141	29,663	1,07,256	1,19,070	30,949	-2.6
Net commission	782	1,282	1,744	914	5,564	7,371	8,457	6,251	4,722	27,643	6,793	24.5
Opex	10,834	10,673	12,448	11,193	7,689	6,698	7,274	7,406	45,148	29,068	7,856	-7.4
Total Operating Expenses	36,615	39,888	40,855	39,768	42,068	44,521	45,871	43,321	1,57,126	1,75,781	45,597	0.6
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	11.6	12.3	8.9	9.6	11.9	11.6	
Underwriting profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,460	-2,823	-2,147	-8,898	-9,625	-1,698	N.A
Operating profit	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,533	23,823	18,976	6,091	-31.7
Shareholder's P/L												
Transfer from Policyholder's	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,533	23,823	18,976	6,091	-31.7
Investment income	1,711	2,055	2,081	1,910	1,856	2,219	2,088	3,274	7,757	9,390	2,400	-13.0
Total Income	4,879	7,157	4,846	14,698	5,168	8,190	6,248	8,807	31,579	28,366	8,491	-26.4
Provisions other than taxation	30	890	9	-89	-182	410	371	381	838	938	400	-7.2
Other expenses	198	171	185	9,062	150	144	140	200	9,616	1,442	200	-30.3
Total Expenses	228	1,060	193	8,973	-32	554	511	581	10,454	2,381	600	-14.9
PBT	**4,651**	**6,097**	**4,653**	**5,725**	**5,200**	**7,637**	**5,737**	**8,226**	**21,125**	**25,986**	**7,891**	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	25.3	23.3	43.7	25.5	23.0	69.6	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	1,864	1,423	1,913	5,115	7,776	1,973	-27.9
Adj Net Profit	**3,490**	**4,625**	**3,525**	**4,370**	**3,904**	**5,773**	**4,315**	**6,312**	**16,011**	**18,209**	**5,918**	-27.1
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	24.8	22.4	44.5	26.0	13.7	67.9	
Rep Net Profit	**3,490**	**5,905**	**3,525**	**4,370**	**3,904**	**5,773**	**4,315**	**5,545**	**17,291**	**19,489**	**5,918**	-27.1
Key Parameters (%)												
NEP Mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4	3.8	3.4		4.4	4.0		
Marine	3.0	2.8	2.9	3.2	3.0	2.9	3.1		3.0	2.9		
Health including (PA)	28.8	27.8	29.6	30.4	33.9	32.1	35.9		28.0	30.6		
Motor	58.7	55.1	56.5	56.4	54.1	50.4	50.8		56.6	53.8		
Others	5.1	9.9	6.6	5.6	5.7	10.8	6.8		8.0	8.8		
Claims ratio	72.1	72.8	70.3	74.2	74.1	70.7	70.0	72.0	72.4	71.7	70.5	-0.5
Commission ratio	2.2	3.5	4.2	2.3	12.5	17.4	18.0	13.5	3.0	15.3	14.7	3.3
Expense ratio	29.9	28.8	29.9	27.7	17.2	15.8	15.5	16.0	29.1	16.1	17.0	-1.5
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.9	103.6	101.6	104.5	103.1	102.2	1.4

L&T Technology

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	LTTS IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	565.7 / 6.8
52-Week Range (INR)	5568 / 3216
1, 6, 12 Rel. Per (%)	-1/18/33
12M Avg Val (INR M)	1011

Financials & Valuations (INR b)

Y/E Mar	2024E	2025E	2026E
Sales	96.6	111.4	127.7
EBIT Margin (%)	17.3	17.8	18.3
PAT	13.2	16.0	18.8
EPS (INR)	125.0	151.1	177.7
EPS Gr. (%)	13.1	20.9	17.6
BV/Sh. (INR)	496.6	575.6	668.4
Ratios			
RoE (%)	25.9	28.2	28.6
RoCE (%)	21.0	22.0	22.4
Payout (%)	40.0	40.0	40.0
Valuations			
P/E (x)	42.8	35.4	30.1
P/BV (x)	10.8	9.3	8.0
EV/EBITDA (x)	27.6	23.1	19.5
Div Yield (%)	0.9	1.1	1.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	73.8	73.8	73.9
DII	11.6	11.0	7.9
FII	5.6	5.9	7.2
Others	9.1	10.3	11.0

FII Includes depository receipts

CMP: INR5,350 TP: INR6,220 (+16%) Buy

Strong deal wins and commentary indicate good FY25

In-line 3Q performance

- L&T Technology (LTTS) posted revenue of USD291m in 3QFY24, up 0.9% QoQ CC and slightly below our estimate. Revenue performance was broad based, led by Medical Devices (+2.4% QoQ). Despite 3Q seasonality, deal-signing was strong, as LTTS signed six large deals with USD10m+ TCV. The management maintained its FY24 revenue growth guidance at 17.5-18.5%, which implies a strong exit to FY24 (+4.0-7.0% QoQ CC), aided by SWC seasonality.
- EBIT margin was flat at 17.2% (up 10bp QoQ), missing our estimate of a 60bp QoQ improvement. Despite the net headcount reduction of ~600, the margin improvement was muted in 3Q as utilization was low due to furloughs and higher SG&A costs.
- While the 3Q delivery was modest and in line, management commentary on the demand environment was relatively more positive in the recent quarters as LTTS is seeing a good business environment across sectors. With deal activity and deal pipeline continuing to improve, the company is likely to gain incremental business from the scale-up in new accounts. Moreover, while 4Q will benefit from seasonal tailwinds in the recently acquired SWC business, the upper end of the guidance indicates an improving near-term outlook, a ramp-up in recent empanelment, and potential large deal wins.
- We factor in a gradual margin expansion over the next two years, with LTTS reaching its 18%+ EBIT margin target by 4QFY25. With good revenue growth over the next two years, we expect the company to post a CAGR of 16%/17% in USD revenue/INR PAT over FY23-26.
- We keep our FY24/FY25 EPS estimates broadly unchanged after the 3QFY24 results. **We retain our BUY rating on LTTS with a TP of INR6,220 (based on 35x FY26E EPS),** considering 1) a better outlook for the ER&D services industry compared to the broader IT services universe, and 2) the growing penetration of outsourced ER&D services.

In-line 3Q, revenue guidance maintained

- **LTTS reported 3QFY24 USD revenues of USD291m, up 0.9% CC QoQ and marginally below our estimate (40bp).**
- The growth was balanced across verticals, with 0.9% QoQ growth each for Trans/Telecom/Plant. Medical was up 1.9% QoQ.
- **EBIT margin at 17.2% (up 10bp QoQ) was below our estimate of 17.7% on account of higher SG&A % rev (up 100bp QoQ).**
- PAT came in at INR3.4b, up 6.6% QoQ and in line with our estimate.
- Net employee reductions stood at ~600 QoQ. Attrition further declined to 15.8% (down 90bp QoQ).
- Deal-signing activity remained robust, with LTTS signing six deals worth more than USD10m, including one USD40m+ deal and one USD20m+.
- For 9MFY24, revenue (inc. SWC) came in at USD858.8m (+7.2% YoY), operating margin stood at 17.1% (flat YoY), and net profit was INR9,627m (+10.4% YoY).

Key highlights from the management commentary

- In CY24, the spending outlook from customers should either improve slightly or remain unchanged. However, given its engineering and designing capabilities, LTTS is confident of sustaining growth from potential accounts as it has a major play on contractual work vs. project-based work.
- The deal velocity remains as strong as it was in 2Q, and even the pipeline remains healthy. The management expects revenue growth to rebound in 4Q and is confident of achieving its FY24 guidance
- The momentum continues within transportation segment, and the clients continue to engage in new technologies. LTTS is partnering with AWS, auto OEMs, and Tier-1 suppliers for SDV and embedded engineering, while also helping them with integration and software architecture.
- The headcount reduction in 3Q was done to drive productivity and bring efficiency; otherwise, the company has a strong recruitment program for fresh hiring. The company has already rolled out offers to 1,200 freshers and is actively evaluating further resources as it pursues large deals.

Valuation and view

- Digitization is driving the accelerated spending in ER&D, and LTTS should benefit due to its strong capabilities, multi-vertical presence, and solid wallet share. We expect the company to deliver strong revenue growth over the coming years.
- Our TP of INR6,220 implies 35x FY26E EPS. We expect industry spending to improve vs. the preceding five years. **We retain our BUY rating on the stock.**

Quarterly performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				(%/ bp)
Revenue (USD m)	**240**	**247**	**248**	**255**	**280**	**288**	**291**	**307**	**990**	**1,166**	**292**	**-0.3**
QoQ (%)	3.2	3.2	0.4	2.9	9.8	2.9	0.9	5.8	12.4	17.8	1.2	-33bp
Revenue (INR m)	**18,737**	**19,951**	**20,486**	**20,962**	**23,014**	**23,865**	**24,218**	**25,519**	**80,136**	**96,616**	**24,295**	**-0.3**
YoY (%)	23.4	24.1	21.4	19.4	22.8	19.6	18.2	21.7	22.0	20.6	18.6	-38bp
GPM (%)	**33.0**	**32.1**	**33.0**	**32.5**	**30.0**	**28.0**	**29.2**	**29.6**	**32.6**	**29.2**	**29.0**	**22bp**
SGA (%)	11.6	11.0	11.5	11.0	10.4	8.1	9.1	9.0	11.3	9.1	8.8	28bp
EBITDA	**4,010**	**4,218**	**4,412**	**4,492**	**4,528**	**4,756**	**4,877**	**5,251**	**17,132**	**19,412**	**4,908**	**-0.6**
EBITDA Margin (%)	**21.4**	**21.1**	**21.5**	**21.4**	**19.7**	**19.9**	**20.1**	**20.6**	**21.4**	**20.1**	**20.2**	**-6bp**
EBIT	**3,434**	**3,628**	**3,829**	**3,927**	**3,954**	**4,075**	**4,162**	**4,486**	**14,818**	**16,677**	**4,300**	**-3.2**
EBIT Margin (%)	**18.3**	**18.2**	**18.7**	**18.7**	**17.2**	**17.1**	**17.2**	**17.6**	**18.5**	**17.3**	**17.7**	**-51bp**
Other income	340	261	627	392	357	286	493	434	1,620	1,570	413	19.4
ETR (%)	27.1	27.2	31.6	28.0	27.6	27.6	27.6	26.5	28.6	27.3	26.5	115bp
PAT	**2,742**	**2,824**	**3,036**	**3,096**	**3,111**	**3,154**	**3,362**	**3,616**	**11,698**	**13,243**	**3,462**	**-2.9**
QoQ (%)	4.7	3.0	7.5	2.0	0.5	1.4	6.6	7.6			9.8	
YoY (%)	26.8	22.8	22.0	18.2	13.5	11.7	10.7	16.8	22.2	13.2	14.0	
EPS (INR)	26.0	26.7	28.7	29.2	29.4	29.8	31.7	34.1	110.5	125.0	32.7	-2.9

E: MOFSL estimates

 # Note: 1QFY23, 2QFY23, 3QFY23 and FY23 numbers have been restated by the company, however, the restatement is not covered in the table above. Hence, YoY comparison is irrelevant

Federal Bank

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	FB IN
Equity Shares (m)	2120
M.Cap.(INRb)/(USDb)	364.2 / 4.4
52-Week Range (INR)	159 / 121
1, 6, 12 Rel. Per (%)	-7/3/-16
12M Avg Val (INR M)	1890

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
NII	72.3	83.1	101.4
OP	47.9	54.7	68.2
NP	30.1	37.9	44.7
NIM (%)	3.5	3.3	3.4
EPS (INR)	14.3	16.7	18.5
EPS Gr. (%)	54.8	17.2	10.3
BV/Sh. (INR)	102	119	135
ABV/Sh. INR)	94	112	127
Ratios			
ROE (%)	14.9	15.1	14.5
ROA (%)	1.3	1.3	1.3
Valuations			
P/E(X)	10.5	9.0	8.1
P/BV (X)	1.5	1.3	1.1
P/ABV (X)	1.6	1.3	1.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	0.0	0.0	0.0
DII	44.2	45.7	41.9
FII	30.1	27.8	28.6
Others	25.7	31.1	29.6

FII Includes depository receipts

CMP: INR150 TP: INR175 (+17%) Buy

In-line earnings; lower provisions drive earnings beat

Guides for CD ratio of ~80% by CY24 end

- FB reported a mixed quarter as net earnings beat our estimate by 6% driven by lower provisions and healthy other income (FedFina stake sale gains) but slippages increased while NIMs compressed 3bp QoQ.
- Advances growth was healthy at 18% YoY/3.3% QoQ, led by robust growth in retail and commercial banking. Deposits grew 19% YoY/2.9% QoQ, aided by continued traction in term deposits. Thus, the CASA ratio moderated 54bp QoQ to 30.6%.
- Slippages increased to INR4.8b, due to higher slippages in the corporate segment. GNPA/NNPA ratios were broadly stable at 2.3%/0.6%. Restructured book declined ~15bp QoQ to 1.1%.
- FB reported RoA/RoE of 1.4%/14.8% in 3QFY24. We fine-tune our estimates following the 3Q results and expect FB to deliver RoA/RoE of 1.3%/14.5% in FY25. **We reiterate our BUY rating on the stock.**

Business growth steady; NIM contracts 3bp QoQ to 3.19%

- FB reported net earnings of INR10.1b (up 25% YoY, 6% beat), driven by lower provisions and healthy other income. NII stood at INR21.2b (in line), while NIM contracted 3bp QoQ to 3.19%. Over 9mFY24, PAT grew 33.5% YoY to INR28b vs INR21b over 9mFY23.
- Other income grew 18% QoQ to INR8.6b (6% beat), driven by healthy business activity and ~INR0.9b gains from the FedFina stake sale. Treasury gains stood at INR2.2b in 3QFY24 vs. INR0.7b in 2QFY24.
- Opex rose 27% YoY (up 6% QoQ), largely due to an increase in employee-related expenses and wage provisions. PPoP growth stood at 8.5% YoY (Core PPoP declined 5% YoY).
- On the business front, advances growth was healthy at 18% YoY/3.3% QoQ at INR1.99t, led by healthy growth in retail and agriculture. Retail grew 5% QoQ, while Agriculture growth was robust at 6% QoQ. Deposits grew 19% YoY (up 2.9% QoQ), driven by faster growth in TDs. As a result, the CASA ratio declined 54bp QoQ to 30.6%.
- Slippages increased to INR4.8b however healthy reductions led to GNPA/NNPA ratios remaining stable at 2.3%/0.6%, respectively. Specific PCR stood at 72%. Restructured loans declined to INR22b (1.1% of loans).

Highlights from the management commentary

- FB aims for a C/D ratio of 80% and 18% growth in its advances portfolio.
- The focus remains on delivering RoA of ~1.4%.
- For succession planning, the board has already started the process. The bank will submit candidate names to the RBI in the coming months and is open to considering external candidates as well.
- The yield on advances was stagnant despite the bank moving to high-yielding segments. FB expects yields to move upward going forward as the mix of high-yielding segments improves.

Valuation and view

FB reported a broadly in-line performance, with healthy business growth and slight weakness in asset quality and margins. However, in-line NII growth, controlled provisions, and higher treasury income drove the earnings beat. NIMs contracted marginally to 3.19%. The management expects margins to remain under pressure as the cost of deposits is expected to increase while bank also brings down the CD ratio towards ~80%. We broadly maintain our estimates as controlled credit costs and healthy other income will keep earnings robust. We estimate FB to deliver RoA/RoE of 1.3%/14.5% in FY25. **We reiterate our BUY rating on the stock with a TP of INR175 (1.2x Sep'25E ABV).**

Quarterly performance (INR b)

	FY23				FY24E				FY23	FY24E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**16.0**	**17.6**	**19.6**	**19.1**	**19.2**	**20.6**	**21.2**	**22.1**	**72.3**	**83.1**	**21.6**	**-1.5**
% Change (YoY)	13.1	19.1	27.1	25.2	19.6	16.7	8.5	15.9	21.3	14.9	10.2	
Other Income	4.5	6.1	5.3	7.3	7.3	7.3	8.6	7.7	23.3	30.9	8.2	5.7
Total Income	**20.6**	**23.7**	**24.9**	**26.4**	**26.5**	**27.9**	**29.9**	**29.8**	**95.6**	**114.0**	**29.7**	**0.5**
Operating Expenses	10.8	11.6	12.2	13.1	13.5	14.6	15.5	15.7	47.7	59.3	15.8	-1.9
Operating Profit	**9.7**	**12.1**	**12.7**	**13.3**	**13.0**	**13.2**	**14.4**	**14.1**	**47.9**	**54.7**	**13.9**	**3.2**
% Change (YoY)	-14.1	32.9	39.4	67.2	33.8	9.3	12.8	5.4	27.6	14.1	9.3	
Provisions	1.7	2.7	2.0	1.2	1.6	0.4	0.9	0.9	7.5	3.9	1.7	-47.3
Profit before Tax	**8.1**	**9.4**	**10.8**	**12.2**	**11.5**	**12.8**	**13.5**	**13.1**	**40.4**	**50.9**	**12.2**	**10.3**
Tax	2.1	2.4	2.7	3.2	2.9	3.3	3.4	3.3	10.3	12.9	2.7	23.6
Net Profit	**6.0**	**7.0**	**8.0**	**9.0**	**8.5**	**9.5**	**10.1**	**9.8**	**30.1**	**37.9**	**9.5**	**6.5**
% Change (YoY)	63.5	52.9	54.0	67.0	42.1	35.5	25.3	8.5	59.3	26.0	17.7	
Operating Parameters												
Deposit (INR b)	1,834	1,891	2,014	2,134	2,225	2,329	2,396	2,512	2,134	2,512	2,396	
Loan (INR b)	1,517	1,612	1,682	1,744	1,835	1,928	1,992	2,076	1,744	2,076	1,993	
Deposit Growth (%)	8.2	10.0	14.8	17.4	21.3	23.1	19.0	17.7	17.4	17.7	19.0	
Loan Growth (%)	16.9	20.0	19.5	20.4	21.0	19.6	18.4	19.0	20.4	19.0	18.5	
Asset Quality												
Gross NPA (%)	2.7	2.5	2.4	2.4	2.4	2.3	2.3	2.1	2.4	2.1	2.2	
Net NPA (%)	0.9	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.8	0.6	0.6	
PCR (%)	65.8	68.7	70.4	71.2	71.3	72.3	72.3	71.5	68.4	71.5	71.4	

E: MOFSL Estimates

ANGEL One

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	279.5 / 3.4
52-Week Range (INR)	3900 / 999
1, 6, 12 Rel. Per (%)	-1/82/130
12M Avg Val (INR M)	1353
Free float (%)	61.8

Financial & Valuation (INR b)

Y/E March	2024E	2025E	2026E
Revenues	31.9	38.1	45.4
Opex	16.9	19.4	22.7
PBT	14.5	18.1	22.0
PAT	10.9	13.6	16.5
EPS (INR)	131.6	163.8	199.6
EPS Gr. (%)	22.4	24.5	21.9
BV/Sh. (INR)	342.4	440.7	560.4
Ratios (%)			
C/I ratio	52.9	50.9	50.0
PAT margin	34.2	35.6	36.4
RoE	43.6	41.8	39.9
Div. Payout	38.0	40.0	40.0
Valuations			
P/E (x)	25.3	20.3	16.7
P/BV (x)	9.7	7.6	5.9
Div. Yield (%)	1.5	2.0	2.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	38.2	38.3	43.7
DII	9.3	10.4	9.3
FII	19.1	16.8	17.3
Others	33.3	34.4	29.8

CMP: INR3,328 TP: INR4,000 (+20%) Buy

Higher CIR adversely impacts profitability

- Angle One reported a PAT of INR2.6b, a 17% miss on our estimates and saw a growth of 14% YoY. Net Revenue grew 49% YoY to INR6.9b (broadly in line with our estimate).
- CI ratio increased significantly to 56% (vs. our estimate of 48.8%), an increase of 730bp sequentially. Expenses came in 13% higher than our estimates. This is because admin & other expenses came in 17% higher than expectations.
- The Board has declared a third Interim Dividend for FY24 at the rate of Rs. 12.7/- per share.
- The Board has approved the raising of funds through the issuance of Non-Convertible Debentures, amounting to up to INR5b, in one or more tranches on a private placement basis.
- For 9MFY24, revenue/PAT grew 41%/26% YoY to INR18.8b/INR7.8b.
- We have cut our FY24/FY25/FY26 earnings estimates by 6.8%/5.2%/3% to factor in higher operating cost (employee & admin cost) on account of continued momentum in client acquisition and investments into new businesses. **We reiterate our BUY rating on the stock with a revised TP of INR 4,000 (premised on 20x Mar'26E EPS).**

Revenues in line; overall market share improves

- The gross broking business witnessed a 39% YoY growth, primarily driven by the F&O segment (up 42% YoY but 6% below our estimates) at INR 5.9b and the cash broking segment (up 27% YoY but 10% below our estimates) at INR 0.8b.
- Gross client acquisition run rate stood at 2.5m, up 17% QoQ. The total number of orders increased to 350m in 3QFY24 from 338m in 2QFY24. This was broadly in line with estimates.
- Interest income came in at INR 2.1b, a growth of 55% YoY and 17% QoQ. MTF book stood at INR18.6b vs. INR14b in 2QFY24.
- Other income increased 44% YoY to INR 1.4b.

Higher Opex led to rise in C/I ratio

- Total Opex increased 75% YoY to INR4.6b (13% higher than our estimates). This is because admin & other expenses came in 17% higher than expectations, which led to an increase in CIR to 56%.
- The surge was owing to increase in gross client additions as well as tech investments into the new tools on the Super App
- Employee costs increased 27% YoY to INR1.4b (broadly in line with our estimate) on the back of hiring for new businesses

Highlights from the management commentary

- Change in tariff structure for the cash intraday segment led to a marginal decline in net broking income. The main purpose here is to gain market share in newer geographies.

- Customer Acquisition costs for Angel One have not increased, and thus, life-time value justifies the cost of acquisition. The breakeven for cost of acquisition is steady at 6 monthsAngel One is focused on scaling up the assisted business and building an ecosystem to offer a full product suite. This shall be achieved by deepening channel partner network with multiple products and expanding geographical reach.

Market share improves across segments

- ADTO stood at INR35.9t, up 22% QoQ and 148% YoY. The total number of orders increased to 350m in 3QFY24 from 338m in 2QFY24.
- Its F&O market share improved to 26.8% from 26.2% in 2QFY24. F&O ADTO grew 22% QoQ and 151% YoY to INR35.5t. The number of orders were flat at 262m (264m in 2QFY24). Revenue per order declined to INR22.7.
- Cash ADTO market share improved to 15.1% from 14% in 2QFY24. Cash ADTO increased 17% QoQ to INR55b (up 53% YoY). The number of orders increased 19% QoQ (up 68% YoY) to 74m. However, on account of tariff change, revenue per order declined 24% YoY to INR10.5.
- Market share for ANGELONE in the Commodity segment increased to 58.3% in 3QFY24 from 56.6% in 2QFY24.

Cut estimates to factor in miss in 3QFY24; reiterate BUY

ANGELONE is undertaking a change in its business model wherein incrementally the focus will be on gaining market share in the cash segment along with strong growth in distribution revenues over the next 2-3 years. Growth in distribution segment will arise from loans, insurance and few other products. We have cut our FY24/FY25/FY26 earnings estimates by 6.8%/5.2%/3% to factor in higher operating cost (employee & admin cost) on account of continued momentum in client acquisition and investments into new businesses. **We reiterate our BUY rating on the stock with a revised TP of INR 4,000 (premised on 20x Mar'26E EPS).**

Quarterly Performance												(INR m)
Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from Operations	4,203	4,559	4,625	5,313	5,198	6,747	6,875	7,692	18,700	26,512	7,019	-2.0
Other Income	948	1,029	1,126	1,129	1,088	1,411	1,401	1,441	4,232	5,341	1,408	-0.5
Total Income	**5,151**	**5,588**	**5,751**	**6,442**	**6,286**	**8,158**	**8,276**	**9,134**	**22,932**	**31,854**	**8,426**	**-1.8**
Change YoY (%)	51.2	44.0	29.3	26.4	22.0	46.0	43.9	41.8	36.3	38.9	46.5	-5.6
Operating Expenses	2,660	2,662	2,648	2,736	3,230	3,974	4,635	5,070	10,705	16,909	4,112	12.7
Change YoY (%)	52.5	30.5	20.9	19.0	21.4	49.3	75.1	85.3	29.4	57.9	55.3	35.7
Depreciation	65	69	80	89	89	112	131	138	303	469	115	13.9
PBT	**2,427**	**2,857**	**3,023**	**3,616**	**2,967**	**4,072**	**3,510**	**3,927**	**11,924**	**14,476**	**4,199**	**-16.4**
Change YoY (%)	49.6	59.2	36.9	31.8	22.3	42.5	16.1	8.6	42.5	21.4	38.9	-58.6
Tax Provisions	611	721	739	946	759	1,027	906	941	3,016	3,633	1,050	-13.7
Net Profit	**1,816**	**2,137**	**2,284**	**2,670**	**2,208**	**3,045**	**2,604**	**2,985**	**8,907**	**10,842**	**3,149**	**-17.3**
Change YoY (%)	49.6	59.0	38.7	30.3	21.6	42.5	14.0	11.8	42.5	21.7	37.8	-63.0
Key Operating Parameters (%)												
Cost to Income Ratio	51.6	47.6	46.0	42.5	51.4	48.7	56.0	55.5	46.7	53.1	48.8	720bps
PBT Margin	47.1	51.1	52.6	56.1	47.2	49.9	42.4	43.0	52.0	45.4	49.8	-742bps
Tax Rate	25.2	25.2	24.4	26.2	25.6	25.2	25.8	24.0	25.3	25.1	25.0	81bps
PAT Margins	35.3	38.2	39.7	41.4	35.1	37.3	31.5	32.7	38.8	34.0	37.4	-591bps
Revenue from Operations (INR Mn)												
Gross Broking Revenue	4,707	5,187	5,100	5,812	5,575	7,270	7,084	7,572	20,806	27,501	7,460	-5.0
F&O	3,813	4,253	4,182	5,056	4,683	6,180	5,951	6,202	17,304	23,015	6,303	-5.6
Cash	659	674	612	465	558	800	779	807	2,410	2,943	853	-8.6
Commodity	188	207	255	232	279	291	354	391	883	1,314	304	16.5
Currency	47	52	51	58	56	0	0	173	208	229	0	-
Net Broking Revenue	3,191	3,560	3,508	4,140	3,933	5,199	5,108	5,451	14,399	19,691	5,335	-4.2
Net Interest Income	1,012	999	1,117	1,172	1,265	1,548	1,767	2,241	4,300	6,821	1,684	4.9
Revenue from Operations Mix (%)												
As % of Gross Broking Revenue												
F&O	81.0	82.0	82.0	87.0	84.0	85.0	84.0	81.9	83.2	83.7	84.5	-0.6
Cash	14.0	13.0	12.0	8.0	10.0	11.0	11.0	10.7	11.6	10.7	11.4	-3.7
Commodity	4.0	4.0	5.0	4.0	5.0	4.0	5.0	5.2	4.2	4.8	4.1	22.7
Currency	1.0	1.0	1.0	1.0	1.0	0.0	0.0	2.3	1.0	0.8	0.0	-
Net Broking (As % Total Revenue)	75.9	78.1	75.8	77.9	75.7	77.1	74.3	70.9	77.0	74.3	76.0	-2.2
Net Interest Income (As % Total Revenue)	24.1	21.9	24.2	22.1	24.3	22.9	25.7	29.1	23.0	25.7	24.0	7.1
Expense Mix (%)												
Employee Expenses	37.3	40.1	40.8	26.7	37.1	32.5	29.7	30.1	36.1	32.0	32.7	-9.1
Admin Cost	59.1	57.2	56.2	69.6	59.7	64.3	67.1	67.3	60.6	65.3	64.6	3.9
Depreciation	2.4	2.5	2.9	3.2	2.7	2.7	2.7	2.6	2.7	2.7	2.7	1.0

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3QFY24 Results Update | Sector: Financials

ICICI Securities

Estimate change	↓
TP change	Under Review
Rating change	Under Review

Bloomberg	ISEC IN
Equity Shares (m)	322
M.Cap.(INRb)/(USDb)	253.4 / 3
52-Week Range (INR)	800 / 416
1, 6, 12 Rel. Per (%)	4/15/32
12M Avg Val (INR M)	256

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Revenues	48.6	54.9	62.0
Opex	26.8	30.8	34.5
PBT	21.8	24.1	27.5
PAT	16.4	18.1	20.6
Ratios			
C/I ratio (%)	55.1	56.1	55.7
PAT margin (%)	33.7	32.9	33.2
RoE (%)	52.2	48.3	46.6
Div. Payout (%)	65.0	65.0	65.0
EPS	50.7	56.0	63.8
EPS Growth (%)	45.5	10.4	14.0
BV	106.1	125.7	148.1
Valuations			
P/E (x)	14.2	12.8	11.2
P/BV (x)	6.8	5.7	4.8
Div. Yield (%)	4.6	5.1	5.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	74.8	74.8	74.9
DII	6.4	6.2	5.8
FII	10.3	10.1	7.8
Others	8.6	10.6	11.6

FII Includes depository receipts

CMP: INR784 **Under Review**

IB revenue and MTF book drove overall profitability

- ICICI Securities (ISEC)'s 3QFY24 revenue grew 50% YoY to ~INR13.2b (in line with our estimate).
- Retail brokerage revenue rose 46% YoY to INR4.8b (5% lower than estimate). The growth in revenue for allied activities was aided by MTF income.
- During the quarter, the C/I ratio moderated to 52.9% from 54.4% in 2QFY24 (vs. est. of 55.1%). ISEC's reported PAT jumped 66% YoY to INR4.7b (6% higher than our estimate).
- ISEC's 9MFY24 revenue/PAT grew 38%/36% YoY to INR35.1b/INR11.6b.
- **Currently, the rating for the stock is 'Under Review'.**

Retail broking revenue up 46% YoY

- Retail broking revenue grew 46% YoY to INR4.8b, 5% lower than our estimate. Allied activities revenue was up 54% YoY to INR3.5b, 11% higher than our estimate. This was mainly because MTF income grew 61% YoY to INR2.8b (14% higher than our estimate).
- Avg. MTF book grew 26% QoQ to INR99b from INR79b in 2QFY24. MTF market share stood at 21.7%.
- ISEC added 218k new customers in 3QFY24 vs. 340k in 3QFY23. The number of NSE active clients fell to 1.87m in 3QFY24.

Robust performance by Issuer services & advisory

- IB revenue, at INR974m, surged 102% YoY and was 23% higher than estimate. ISEC has a strong IPO pipeline with 39 deals amounting over INR614b, in addition to a mandate of 11 deals whose amount is yet to be decided.
- Total institutional broking revenue (including allied revenues) came in at INR903m, which grew 94% YoY (11% miss). ISEC consolidated its position among the top domestic institutions.
- Distribution revenue rose 5% YoY to INR1.7b. MF and other distribution revenue grew 14% YoY and 16% YoY, respectively. SIP flows grew to INR14.7b in 3QFY24 vs. INR13.4b in 2QFY24.
- ISEC distributed loans worth INR21.7b in 3QFY24, up 116% YoY. Investment & Trading income jumped 90% YoY to INR629m.

Moderation in C/I ratio

- The operating cost increased 39% YoY to INR7b (3% lower than our estimate). Employee costs rose 30% YoY to INR2.3b in 3QFY24.
- Other operating expenses for the quarter increased 28% to INR906m.
- During the quarter, the C/I ratio moderated to 52.9% from 54.4% in 2QFY24 (vs. est. of 55.1%).

Highlights from the management commentary

- Retail cash market share improvement was driven by the new app, research, margin finance, and a focus on quality customers. Going ahead, the focus for the cash segment will continue to be quality customer acquisition and retaining them.

- Management will not be focusing on life insurance products in distribution. Loan distribution will be one of the key focus areas.
- Customer sourcing, technology, MTF Funding, and banking solutions are the synergies for delisting.

Valuation and view

ISEC has seen a strong performance over the past couple of quarters on the back of strength in IB business and interest income on MTF book. The retail broking business, however, continues to demonstrate a muted performance. Going ahead growth in MTF book will be challenging, while investments into tech and human resource will keep costs elevated. On the distribution side, focus will be on loans and mutual funds.

Its Board of Directors, on 29th Jun'23, approved a draft scheme of arrangement for the delisting of equity shares of the company. Pursuant to this, ICICI Bank will issue equity shares to the public shareholders of the company, thereby making the company a wholly owned subsidiary of ICICI Bank. The swap ratio is 67 equity shares of face value INR2 each of ICICI Bank for every 100 equity shares of ISEC. Currently, our rating on the stock is 'Under Review'.

Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24E	3QFY24E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from Operations	7,948	8,656	8,799	8,852	9,344	12,490	13,232	13,527	34,255	48,594	13,034	1.5
Total Income	**7,948**	**8,656**	**8,799**	**8,852**	**9,344**	**12,490**	**13,232**	**13,527**	**34,255**	48,594	**13,034**	**1.5**
Change YoY (%)	6.3	1.1	-6.6	-0.8	17.6	44.3	50.4	52.8	-0.4	41.9	48.1	
Operating Expenses	4,277	4,621	5,025	5,320	5,701	6,797	6,994	7,264	19,243	26,755	7,187	-2.7
Change YoY (%)	29.2	19.8	16.3	21.7	33.3	47.1	39.2	36.5	21.3	39.0	43.0	
PBT	**3,670**	**4,036**	**3,774**	**3,532**	**3,644**	**5,693**	**6,239**	**6,264**	**15,013**	21,839	**5,846**	**6.7**
Change YoY (%)	-11.9	-14.3	-26.0	-22.4	-0.7	41.0	65.3	77.3	-19.0	45.5	54.9	
Tax Provisions	936	1,032	964	905	935	1,457	1,582	1,485	3,836	5,460	1,450	9.1
Net Profit	**2,735**	**3,004**	**2,810**	**2,627**	**2,708**	**4,235**	**4,657**	**4,779**	**11,176**	16,379	**4,397**	**5.9**
Change YoY (%)	-12.0	-14.5	-26.1	-22.8	-1.0	41.0	65.7	81.9	-19.2	46.6	56.4	
Key Operating Parameters (%)												
Cost to Income Ratio	53.8	53.4	57.1	60.1	61.0	54.4	52.9	53.7	56.2	55.1	55.1	-2.3
PBT Margin	46.2	46.6	42.9	39.9	39.0	45.6	47.1	46.3	43.8	44.9	44.9	2.3
Tax Rate	25.5	25.6	25.5	25.6	25.7	25.6	25.4	23.7	25.6	25.0	24.8	0.6
PAT Margins	34.4	34.7	31.9	29.7	29.0	33.9	35.2	35.3	32.6	33.7	33.7	1.5
Revenue from Operations (INR M)												
Retail Brokerage Income (ex-interest)	3,247	3,577	3,326	3,184	3,464	4,808	4,793	4,906	13,335	17,971	5,043	-4.9
Institutional Brokerage Income	486	425	466	493	551	1,049	903	1,030	1,870	3,533	1,018	-11.3
Investment Banking	350	488	483	127	362	791	974	915	1,448	3,041	791	23.2
Distribution Income	1,520	1,564	1,669	1,929	1,587	1,761	1,746	1,834	6,682	6,929	1,851	-5.7
Others	832	1,131	1,141	1,380	1,694	1,879	2,060	2,092	4,484	7,724	1,910	7.8
Interest Income	1,512	1,472	1,714	1,738	1,688	2,202	2,756	2,750	6,436	9,396	2,422	13.8
Revenue from Operations Mix (%)												
Retail Brokerage Income	40.9	41.3	37.8	36.0	37.1	38.5	36.2	36.3	38.9	37.0	42.0	
Institutional Brokerage Income	6.1	4.9	5.3	5.6	5.9	8.4	6.8	7.6	5.5	7.3	4.5	
Investment Banking	4.4	5.6	5.5	1.4	3.9	6.3	7.4	6.8	4.2	6.3	6.1	
Distribution Income	19.1	18.1	19.0	21.8	17.0	14.1	13.2	13.6	19.5	14.3	14.2	
Other servicing Income	10.5	13.1	13.0	15.6	18.1	15.0	15.6	15.5	13.1	15.9	14.7	
Interest Income	19.0	17.0	19.5	19.6	18.1	17.6	20.8	20.3	18.8	19.3	18.6	
Opex Mix (%)												
Employee Expenses	40.9	40.2	35.0	30.3	35.3	34.4	32.8	33.4	36.3	33.9	33.5	
Depreciation	3.8	4.1	3.9	3.9	3.9	3.8	3.9	4.0	3.9	3.9	3.7	
Interest Expenses	23.5	23.4	30.5	32.8	32.4	31.6	37.3	35.9	27.9	34.4	33.0	
Others	31.8	32.3	30.7	33.0	28.4	30.1	26.1	26.8	32.0	27.8	29.8	

Budget Preview: 5.2% or 5.4% of GDP for FY25BE?

Expect the GoI to achieve fiscal deficit of 5.9% of GDP in FY24

- The Government of India (GoI) will present the Interim Budget 2024-25 on 1st Feb'24 (Thursday). Although the Budget presentation is only one part of managing public finances, it attracts significant attention. In this note, we discuss our expectations from the Interim Budget and present our fiscal math for FY24 and FY25.
- Based on provisional data available for 8MFY23 (Apr-Nov'23), our calculations suggest that gross taxes can exceed budget estimates (BEs) for the third consecutive year, by as much as INR1.3t in FY24. Due to higher non-tax revenue receipts, such as dividends, coupled with higher devolution to states and an expected shortfall in divestments, there is a projected over-achievement of INR1.1t in total receipts in FY24.
- According to the first supplementary demands presented on 6th Dec'23, the GoI has sought to authorize an additional cash outgo of INR584b in FY24, largely because of higher subsidies and defense services. Nevertheless, it is likely that total spending will exceed FY24BE by INR700-800b, led by higher NREGA spending. If so, the fiscal deficit will be INR17.6t in FY24, lower than the target of INR17.9t, but at 5.9% of GDP, as per the BEs (due to lower nominal GDP growth of 8.9% vs. BE of 10.5%).
- What about FY25BE? Notwithstanding the fact that 2024-25 Budget will be an interim budget, the most important thing to look out for would be if the fiscal deficit target will be kept at 5.2% or 5.4% of GDP (assuming 10.5% growth in nominal GDP). A target of 5.2% of GDP will give a real chance to achieve 4.5% in FY26, while 5.4% (or 5.3%) will almost surely postpone the target by *at least* one year (to FY27). It also means a difference of about INR900b or 2 percentage point (pp) of total spending next year.
- After an expected growth of 14% YoY in FY24 (which was 15% YoY as of Nov'23), we believe that gross tax receipts could grow 12.4% YoY in FY25. It is interesting to note that while the growth in indirect taxes is lagging the targets, direct taxes are expected to more than offset the shortfall in FY24. It means that we expect the tax buoyancy to ease to 1.2x next year, from an exceptional 1.6x in FY24.
- If so, total spending could grow anywhere between 6% and 8% to achieve a fiscal deficit target of 5.2%-5.4% of GDP, assuming nominal GDP growth of 10.5% in FY25. Since the economic growth is very strong, we feel that this is the best opportunity for the GoI to consolidate, and thus, recommend to target a fiscal deficit of 5.2% of GDP in FY25. This would mean a growth of 4.2% (2.8%/1.4%) in revenue spending, with 15% (20%/25%) growth in capital spending. More importantly, the primary spending growth will ease to 5.9%-6.7% YoY next year, the lowest in 12 years and compared to an expected growth of 14.5% YoY in FY24F.
- The upcoming general elections may lead to some populist schemes to be included in the Interim Budget 2024-25. In particular, we would be watching for any policies on these three areas (in order of probability): 1) it is widely known that the agricultural sector has been weak in the past few quarters. Therefore, any populist measures directed to the farm economy will be keenly watched. It may include the expansion of the PM KISAN scheme by as much as 50% to INR9,000 per annum or increased benefits in the form of insurance scheme or higher MGNREGA allocation (which is a demand-driven program); 2) since the cut in corporate income tax rate in Sep'19, there has been a continuous demand to reduce personal income tax rates as well. The new tax regime can be made more attractive by either increasing the exemption income limit, raising the income tax rebate under Section 87A or by reducing the highest surcharge rate; and 3) some incentives to further boost the residential or commercial property market.
- Overall, India's economic growth has been much better than anticipated in CY23/FY24, and thus, there is no major need to provide support to consumption or investment spending. However, the upcoming general elections may warrant some announcements for the farm economy and the lower income class. At the same time, although tax receipts have been higher than targets for the last three years, the fiscal deficit needs to be narrowed further (and considerably) to avoid any crowding out, as and when the corporate investments pick up. We, therefore, hope that the GoI targets fiscal deficit of 5.2% of GDP in FY25, which will leave limited space to grow its spending.

What could the fiscal math look like?

	FY23P	FY24BE	Apr-Nov'23	FY24F		FY25F	
	INRb	INRb	% of BE	INRb	YoY (%)	INRb	YoY (%)
Total receipts	24,557	27,163	**64.3**	28,262	**15.1**	31,660	**12.0**
Revenue receipts	23,835	26,323	**65.3**	27,912	**17.1**	30,960	**10.9**
Gross taxes	30,537	33,609	**60.8**	34,880	**14.2**	39,187	**12.3**
Net taxes	20,973	23,306	**61.6**	24,192	**15.3**	26,943	**11.4**
Direct taxes	16,575	18,233	**59.3**	19,974	**20.5**	22,619	**13.2**
Corporation taxes	8,258	9,227	**55.7**	9,745	**18.0**	11,060	**13.5**
Income taxes	8,316	9,006	**63.0**	10,229	**23.0**	11,559	**13.0**
Indirect taxes	13,963	15,376	**62.5**	14,907	**6.8**	16,568	**11.1**
Goods & Services Tax (GST)	8,535	9,566	**64.6**	9,431	**10.5**	10,516	**11.5**
Customs	2,134	2,331	**60.8**	2,176	**2.0**	2,394	**10.0**
Excise Duties	3,190	3,390	**52.0**	3,094	**-3.0**	3,435	**11.0**
Less: Devolution to states	9,484	10,214	**58.9**	10,601	**11.8**	12,148	**14.6**
Non-tax revenue receipts	2,862	3,017	**94.3**	3,720	**30.0**	4,018	**8.0**
Non-debt capital receipts	722	840	**30.3**	350	**-51.5**	700	**100.0**
Divestment	460	610	**14.5**	250	**-45.7**	500	**100.0**
Total expenditure	41,888	45,031	**58.9**	45,831	**9.4**	48,837	**6.6**
Primary expenditure*	26,895	30,200	**59.6**	30,800	**14.5**	32,857	**6.7**
Revenue expenditure	34,525	35,021	**59.0**	35,821	**3.8**	37,326	**4.2**
Interest payments	9,284	10,800	**56.3**	10,800	**16.3**	11,880	**10.0**
Subsidies	5,710	4,031	**60.2**	4,231	**-25.9**	4,100	**-3.1**
Defense	2,562	2,701	**71.8**	2,801	**9.3**	2,997	**7.0**
Pensions	2,215	2,344	**68.3**	2,344	**5.8**	2,461	**5.0**
Other	14,755	15,146	**56.9**	15,646	**6.0**	15,888	**1.5**
Capital spending	7,363	10,010	**58.5**	10,010	**35.9**	11,511	**15.0**
Defense	1,429	1,626	**52.7**	1,626	**13.8**	1,951	**20.0**
Railways	1,593	2,400	**70.7**	2,400	**50.7**	2,760	**15.0**
Roads & Highways	2,060	2,445	**71.4**	2,445	**18.7**	2,812	**15.0**
Others	2,281	3,539	**44.0**	3,539	**55.1**	3,988	**12.7**
Fiscal deficit	17,332	17,868	**50.7**	17,569		17,177	
Fiscal deficit (as a percentage of GDP)	**6.4**	**5.9**		**5.9**		**5.2**	
Nominal GDP	2,72,407	3,01,751		2,96,570	**8.9**	3,27,709	**10.5**
Memo:							
Capex@ (Capital outlays)	6,211	8,609	**58.6**	8,742	**40.8**	10,512	**20.2**
Net market borrowings~	11,618	12,309	**66.0**	12,309	**5.9**	12,023	**-2.3**
Net market borrowings (% of GDP)	**4.3**	**4.1**		**4.2**		**3.7**	
Securities against small savings	3,959	4,713	**41.1**	4,000	**1.0**	4,000	**0.0**

* Total expenditure excluding interest and subsidies | # For major subsidies only

@ Excluding loans & advances | ~Including market loans, switching, POLIFs and short-term borrowings

Source: Union Budget documents, Controller General of Accounts (CGA), Central Statistics Office (CSO), MOFSL

SBI: Investors want India to be a part of the global supply chain; Dinesh Kumar Khara, Chairman

- Investors want India to be a part of the global supply chain
- Expect some rate cuts from RBI in 3QCY24
- CD ratio of domestic book is approx. at 66-67%, headroom available for growth
- Expect decent growth in deposits
- RBI wants to avoid overheating of the system

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Axis Bank: Expect RBI to guide bank boards w.r.t healthy credit-deposit ratio; Amitabh Chaudhry, CEO

- Every bank has its own context & RBI will look at this w.r.t. the credit-deposit ratio
- Expect credit growth to temper going forward
- Do not think RBI will ever mandate a number on credit-deposit ratio
- Do not think deposits will grow too much which means credit growth will have to come down

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- Over Rs. 5,k crore worth of project JV/Das signed so far; Thane land parcel has Rs.25,000 cr worth of development potential
- Wedding season demand not as strong as expected; expect good wedding season going ahead into Q4
- Branded apparel a good spot; opening over 500 stores in next 3 years
- Premiumisation the way forward; average ticket purchases increased 50% over last 3 years

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- Comfortable to have credit cost of 80 bps

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