

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

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VALUATION TABLES - BANKS, INSURERS, ASSET MANAGERS AND FINTECH

Exhibit 1: Valuation Table - Banks (Stocks in order of investment preference)

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/E (x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E
Bank of Baroda	BUY	209	280	34	27.3	29.7	36.4	7.2	6.6	5.4
Indian Bank	BUY	308	410	33	42.4	53.4	67.9	7.3	5.8	4.5
Axis Bank	BUY	977	1275	31	31.1	82.9	96.7	27.8	10.4	8.9
Federal Bank	BUY	135	175	30	14.2	16.0	19.7	8.9	7.9	6.4
State Bank of India	BUY	594	760	28	56.3	59.8	73.2	6.9	6.5	5.3
ICICI Bank	BUY	946	1200	27	45.7	48.1	56.1	17.4	16.6	14.2
Indusind Bank	BUY	1357	1700	25	95.2	106.5	128.7	14.2	12.7	10.5
CSB Bank	BUY	289	355	23	31.5	31.4	35.6	9.1	9.2	8.1
RBL Bank	BUY	185	225	22	14.7	20.1	27.3	12.5	9.2	6.8
HDFC Bank	ADD	1660	1950	17	79.1	76.6	107.4	18.0	18.6	13.3
Kotak M. Bank	ADD	1854	2150	16	55.1	60.3	72.2	23.6	21.5	18.0
IDFC First Bank	ADD	80	90	13	3.7	5.1	6.9	21.6	15.8	11.5
City Union Bank	ADD	131	146	12	12.7	14.1	16.6	10.3	9.3	7.9
DCB Bank	ADD	126	140	11	14.9	19.2	22.5	8.4	6.5	5.6

COMPANY	BVPS (Rs)			P/ BV (x)			ROE (%)			ROA (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Bank of Baroda	190	214	246	1.0	0.9	0.8	15.3	14.7	16.2	1.0	1.0	1.1
Indian Bank	385	417	475	0.8	0.7	0.6	11.5	13.8	15.2	0.8	1.0	1.1
Axis Bank	408	490	616	2.1	1.8	1.4	8.0	18.5	17.8	0.8	1.8	1.9
Federal Bank	102	121	140	1.2	1.0	0.9	14.9	15.0	15.1	1.3	1.3	1.4
State Bank of India	367	427	489	1.1	0.9	0.8	16.5	15.4	16.0	1.0	1.0	1.1
ICICI Bank	287	326	374	2.8	2.4	2.1	17.2	15.7	16.1	2.1	2.0	2.0
Indusind Bank	704	788	903	1.9	1.7	1.5	14.4	14.3	15.2	1.7	1.7	1.8
CSB Bank	185	216	251	1.6	1.3	1.1	18.7	15.7	15.3	2.0	1.7	1.6
RBL Bank	226	241	265	0.8	0.8	0.7	6.7	8.6	10.8	0.8	0.9	1.0
HDFC Bank	502	618	705	2.8	2.3	2.0	17.0	15.4	16.2	1.9	1.8	1.9
Kotak M. Bank	420	479	550	3.1	2.7	2.4	14.0	13.4	14.0	2.4	2.2	2.2
IDFC First Bank	39	42	47	2.1	1.9	1.7	10.4	12.9	15.6	1.1	1.3	1.5
City Union Bank	101	114	129	1.3	1.1	1.0	13.4	13.1	13.7	1.5	1.5	1.5
DCB Bank	147	163	184	0.9	0.8	0.7	10.8	12.7	13.0	1.0	1.1	1.1

Source: Companies, YES Sec; Valuations are the implied valuations of standalone entity net of subsidiaries

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Exhibit 2: Valuation Table – Life Insurers (Stocks in the order of investment preference)

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	VNBPS (Rs)			P/VNBPS (x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E
IPRU Life	BUY	573	750	31	19.2	23.4	28.4	29.8	24.5	20.2
SBI Life	BUY	1294	1675	29	50.7	61.4	73.3	25.5	21.1	17.6
Max Financial	BUY	802	975	22	49.1	49.5	58.0	16.3	16.2	13.8
LIC*	BUY	623	750	20	14.5	15.9	18.6	38.7	35.3	30.2
HDFC Life	ADD	658	725	10	17.1	19.6	23.0	38.5	33.6	28.6

COMPANY	EVPS (Rs)			P/ EVPS (x)			RoEV (%)			VNB Margin (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
IPRU Life	248	287	335	2.3	2.0	1.7	17.4	17.7	18.0	32.0	33.4	34.3
SBI Life	460	534	627	2.8	2.4	2.1	22.8	22.2	22.5	30.1	30.5	31.0
Max Financial	410	492	589	2.0	1.6	1.4	22.1	21.1	20.8	31.2	28.0	28.5
LIC*	921	1,018	1,129	0.6	0.6	0.5	10.9	10.4	10.5	16.2	15.9	16.6
HDFC Life	184	209	240	3.6	3.1	2.7	19.7	19.8	20.2	27.5	27.8	28.0

Source: Companies, YES Sec – Research , *Valuation for LIC is the implied valuation net of the value of subsidiaries

Exhibit 3: Valuation Table – General Insurers

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/EPS (x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E
ICICIGI	ADD	1338	1500	12	35.2	44.6	50.8	38.0	30.0	26.3

COMPANY	BVPS (Rs)			P/BVPS (x)			RoE (%)			Combine Ratio (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
ICICIGI	212	234	263	6.3	5.7	5.1	16.6	19.1	19.3	104.5	104.5	103.5

Source: Company, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 4: Valuation Table – Asset Managers (Stocks in order of investment preference)

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/E (x)			Mcap/AAUM (%)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
UTI AMC	BUY	796	975	22	34.4	47.5	56.8	23.1	16.8	14.0	4.3	3.7	3.3
Nippon AMC	ADD	287	335	17	11.6	13.1	14.9	24.7	21.9	19.2	6.2	5.4	4.7
ABSL AMC	ADD	370	425	15	20.7	22.7	25.4	17.9	16.3	14.5	3.8	3.4	3.1
HDFC AMC	NEUTRAL	2253	2400	7	66.7	71.2	83.8	33.8	31.6	26.9	11.1	9.8	8.4

COMPANY	BVPS (Rs)			P/ BV (x)			ROE (%)			EBITDA Margin (%)			PAT CAGR (%)
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23-FY25E
UTI AMC	305	319	336	2.6	2.5	2.4	11.7	15.2	17.4	42.1	43.2	46.8	28.1
Nippon AMC	56	59	62	5.1	4.9	4.6	20.7	22.7	24.7	58.9	59.3	60.7	13.5
ABSL AMC	87	101	116	4.2	3.7	3.2	25.3	24.1	23.4	57.5	55.4	55.6	10.9
HDFC AMC	286	306	330	7.9	7.4	6.8	24.5	24.0	26.4	74.7	74.2	76.1	12.1

Source: Companies, YES Sec – Research

Exhibit 5: Valuation Table – Specialty Finance (Asset Management industry-linked)

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/E (x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E
CAMS	ADD	2286	2550	12	58.2	65.3	77.3	39.3	35.0	29.6

COMPANY	BVPS (Rs)			P/ BV (x)			ROE (%)			EBITDA Margin (%)			PAT CAGR (%)
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23-FY25E
CAMS	160	182	209	14.3	12.5	10.9	39.9	38.2	39.4	43.3	43.6	44.5	15.3

Source: Company, YES Sec – Research

Exhibit 6: Valuation Table – Fintech

COMPANY	Rating	CMP (Rs)	TP (Rs)	Upside (%)	Sales per share (Rs)			P/S (x)		
					FY23	FY24E	FY25E	FY23	FY24E	FY25E
PAYTM	NEUTRAL	851	900	6	126.0	170.0	192.4	6.7	5.0	4.4

COMPANY	BVPS (Rs)			P/BVPS (x)			RoE (%)			EBITDA Margin (%)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
PAYTM	205	185	236	4.1	4.6	3.6	-13.1	-10.5	-4.0	-20.4	-10.7	-3.5

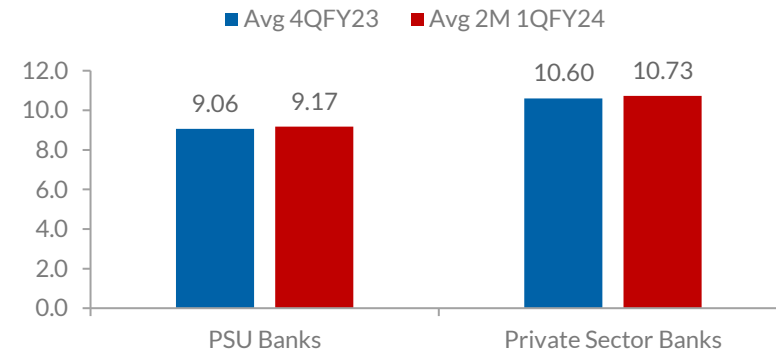
Source: Company, YES Sec – Research

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BANKS - COMMENTARY

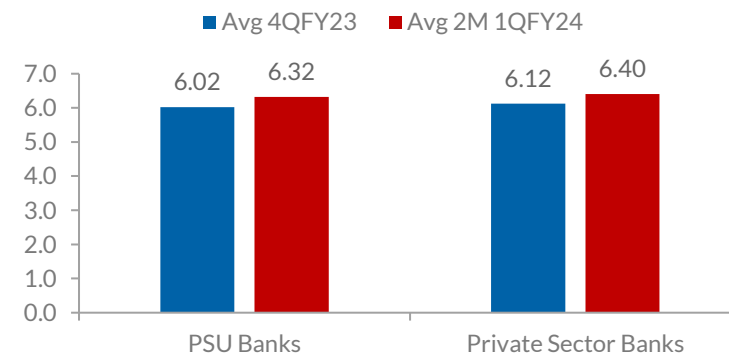
- ✓ **Asset quality:** Fresh **slippages** in 1QFY24 would generally be stable on sequential basis for our coverage banks. We see slippages remain at similar levels, sequentially, in 1QFY24 as the restructured book should throw up some more slippages. Furthermore, the macro environment has also changed due to elevated interest rates, which may also cause some incipient build-up of stress. Sequential evolution of **provisions** would be a function of not only slippages but also of recoveries and upgrades and pre-existing provision buffers. Hence, we see a material rise in provisions, sequentially, for AXSB, FED, HDFCB, ICICI, IIB, KMB, RBL, and CSB, and a moderate rise for BOB and IDFCB, whereas we see a decline in provisions for INBK, DCB and CUB.
- ✓ **Net interest margin:** Except in cases where loan mix change was favourable enough, NIM would decline marginally on sequential basis since the rise in deposit cost would outpace the rise in yield on advances, leading to spread compression. Furthermore, there would have been little or no support from liquidity unwind during the quarter gone by. The average Weighted Average Domestic Term Deposit Rate (WADTDR) for private sector banks for 2M1QFY24 rose 28 bps, to 6.40%, compared with the average for 4QFY23. The corresponding Weighted Average Lending Rate (WALR) rose 13 bps to 10.73%, implying that **Loan Spread** declined 15 bps. For PSU banks, the WADTDR rose 30 bps to 6.32% and the WALR rose 11 bps to 9.17%, with implies that Spread declined 19 bps. It may be noted that the WADTDR and WALR for 2M1QFY24 excludes June month. We see NIM marginally lower (2-10 bps) sequentially for AXSB, BOB, ICICI, SBI, INBK, IIB, IDFCB, KMB, CSB, CUB and DCB, whereas we see broadly stable NIM for FED, HDFCB and RBL.
- ✓ **Loan growth:** Sequential loan growth has been / will be healthy (>4.5%) for FED, ICICI, KMB and IDFCB, reasonable (3.5-4.5%) for AXSB, IIB, RBL and DCB, moderate (2.5-3.5%) for BOB, SBI and INBK and weak (<2.5%) for HDFCB, CSB and CUB.
- ✓ **Core fee income:** Core fee income would broadly match loan growth for BOB, INBK, IIB, IDFCB, KMB, CSB, CUB. DCB due to being mainly driven by disbursement activity. It would slightly lag loan growth for AXSB and FED and mentionably lag for HDFCB, ICICI and RBL.
- ✓ **Treasury profit:** Treasury profit would be somewhat higher sequentially as average long-term bond yields have declined on sequential basis, with the 10-year averaging 7.07% over 1QFY24, lower by 28 bps QoQ. For AXSB, ICICI, HDFCB, KMB and RBL, treasury income, it may be noted, on average, is a relatively smaller part of total non-interest income.

Exhibit 7: Change in Weighted Average Lending Rate, %



Source: RBI, YES Sec – Research

Exhibit 8: Change in Weighted Average Domestic Term Deposit Rate, %



Source: RBI, YES Sec – Research

N.B. For stock specific trends for various aspects, such as slippages, provisions and net interest margin, kindly refer to the Remarks portion on the next page.

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 9: Banks - Earnings expectation snapshot – Part 1 - Stocks are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
HDFC Bank	239,356	22.9	2.5	191,532	24.6	2.9	121,149	31.7	0.6	Sequential loan growth has been in the 1% ballpark. NII growth will be slightly faster than loan growth due to favourable loan mix change. Consequently, NIM will be broadly stable sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
ICICI Bank	183,950	39.3	4.1	143,501	39.2	3.8	93,243	35.0	2.2	Sequential loan growth will be in the 4.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
State Bank of India	413,415	32.5	2.3	252,456	98.0	2.5	155,093	155.6	-7.1	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Kotak Mahindra Bank	63,586	35.4	4.2	48,561	74.5	4.5	34,921	68.6	-0.1	Sequential loan growth will be in the 4.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Axis Bank	121,507	29.5	3.5	94,616	60.7	3.2	63,318	53.5	NA	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory and seasonality. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will slightly lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.

Source: Companies, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 10: Banks - Earnings expectation snapshot – Part 2 - Stocks are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
Indusind Bank	48,295	17.1	3.4	39,254	15.7	4.6	20,386	27.2	-0.1	Sequential loan growth has been in the 4% ballpark. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
Bank of Baroda	117,989	33.5	2.4	82,780	82.8	2.5	50,085	131.0	4.9	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory and seasonality. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be moderately higher sequentially due to low base in the fourth quarter and prudential provisioning.
Indian Bank	56,399	24.4	2.4	41,198	15.6	2.6	15,898	31.0	9.9	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially lower sequentially due to upfronted prudential provisioning.
IDFC First Bank	38,202	38.9	6.2	16,341	73.1	4.8	8,483	78.8	5.7	Sequential loan growth has been in the 7% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be slightly higher sequentially due to low base in the fourth quarter and prudential provisioning.
Federal Bank	20,048	24.9	5.0	13,932	43.1	4.4	9,299	54.8	3.0	Sequential loan growth has been in the 5% ballpark. NII growth will be similar to loan growth due to the absence of negative one-offs that impacted 4Q. Consequently, NIM will be stable, sequentially. Sequential fee income growth will slightly lag loan growth due to linkage to seasonal payments business. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be higher sequentially due to low base in the fourth quarter and prudential provisioning.

Source: Companies, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 11: Banks - Earnings expectation snapshot – Part 3 - Stocks are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
City Union Bank	5,184	-1.2	0.8	4,212	-5.8	1.0	2,088	-7.3	-4.2	Sequential loan growth will be in the 1.5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be lower sequentially.
RBL Bank	12,596	22.6	4.0	6,076	14.8	2.3	2,301	14.4	-15.1	Sequential loan growth has been in the 4% ballpark. NII growth will be similar to loan growth despite cost of deposits catch up due to favourable loan mix change. Consequently, NIM will be broadly stable sequentially. Sequential fee income growth will lag loan growth due to linkage to seasonal payments business. Opex growth will be similar loan growth due to focus on small-ticket loans. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
CSB Bank	3,540	13.9	1.6	2,058	33.0	2.0	1,427	24.7	-8.7	Sequential loan growth has been in the 2% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to low base in the fourth quarter and prudential provisioning.
DCB Bank	5,019	34.2	3.3	2,521	51.7	3.3	1,511	55.6	6.3	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than loan growth due to cost of deposits catch up. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage to disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be lower sequentially.

Source: Companies, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

INSURERS, ASSET MANAGERS AND FINTECH

LIFE INSURERS

- ✓ **New business growth:** Growth trend for 2M1QFY24 (April and May 2023) is publicly available on the IRDA website and we expect new business growth for the whole of 1QFY24 to be broadly along similar lines, penciling in QoQ APE de-growth of -59%, -58%, -56%, -36% and -26% for MLI, IPRU, HDFL, LIC and SBIL respectively.
- ✓ **New business margin:** We expect VNB margin to contract/expand -234 bps QoQ for MLI, -136bps QoQ for LIC, -51bps QoQ for SBIL, -27bps for HDFL and +52bps for IPRU due to idiosyncratic reasons.

GENERAL INSURERS

- ✓ **Net earned premium:** Our coverage universe consists of only ICICI Lombard and hence, our commentary applies to only this name. We pencil in NEP growth of 19% QoQ for ICICGI based on the trends observed till May 2023.
- ✓ **Under-writing profit:** We expect overall loss ratio to improve since we expect Motor and Health loss ratio would be marginally lower on sequential basis. Hence, we see a moderate sequential decline in under-writing loss.
- ✓ **Profit after tax:** ICICIGI would continue to generate enough investment return to remain in the black during 1QFY24. We expect PAT to grow 26.6% QoQ.

ASSET MANAGERS

- ✓ **Revenue growth:** Revenue growth for Asset Managers is a direct function of AUM growth and fund category mix. Overall AUM for all four coverage Asset Managers has seen growth in May 2023 compared with March 2023 levels. The share of Equity AUM has also improved sequentially for HDFCAMC, NAM and UTI whereas, it has deteriorated for ABSLAMC. We note that the trend as of June 2023 would have a 3.5% Nifty return overlay over May. We have assumed slightly higher revenue yield QoQ for HDFCAMC, UTI and NAM whereas stable for ABSLAMC. **CAMS:** We assume revenue growth would be broadly in-line with the AUM growth for CAMS.
- ✓ **EBITDA:** We have assumed sequentially higher EBITDA margin for UTI and ABSLAMC due to sequentially lower other operating expense assumption. We have assumed stable EBITDA margin for NAM whereas we have assumed marginally lower EBITDA margin for HDFCAMC due to higher employee expense assumption. **CAMS:** We assume EBITDA margin to be stable sequentially.

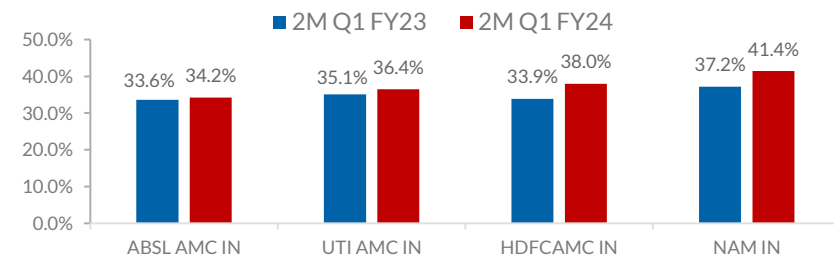
- ✓ **Profit after tax:** It may be noted that Asset managers earn return on their investment book, which is counted below EBITDA as other income. We estimate Other Income to be higher QoQ for all coverage asset managers, leading to higher profitability QoQ. **CAMS:** We assume stable profit margin for CAMS QoQ.

FINTECH

- ✓ **One 97 Communications (Paytm):** We pencil in an overall growth in Revenue from operations of 14% QoQ. We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 62%, a metric that was 54.0% in 4QFY23 due to UPI incentive. We arrive at a Total Expenses (ex PPC) growth of 9% QoQ, compared with a growth of 2% in 4QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -7.8%, a deterioration of -227 bps QoQ as Paytm had received UPI incentives in 4QFY23.

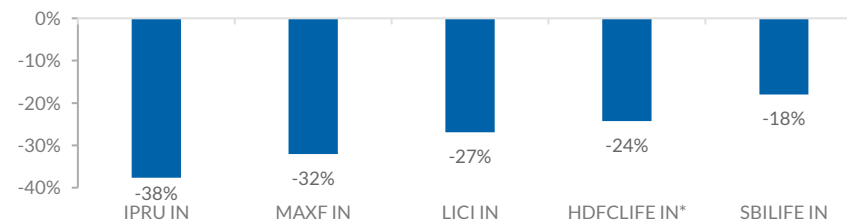
N.B. For stock specific trends for various aspects, kindly refer to the next page, including the Remarks portion.

Exhibit 12: Evolution in share of equity in AUM of Asset Managers



Source: Company, YES Sec – Research

Exhibit 13: Growth in APE for Life Insurers, 2M1QFY24 Vs. 2M4QFY23



Source: IRDAI, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 14: Life Insurance - Earnings expectation snapshot- Stocks are as per order of Market Capitalisation

Life Insurance (Rs mn)	NBP			APE			VNB			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
LICI IN	414,462	-14	-26	122,037	19	-36	21,967	57	-41	We pencil in new business growth assumptions based on trends observed till May 2023, when LIC had displayed NBP/APE de-growth of -27%/-27% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -136 bps QoQ based on expected business mix changes.
HDFCLIFE IN*	57,933	17	-44	22,790	20	-56	6,609	30	-56	We pencil in new business growth assumptions based on trends observed till May 2023, when HDFC Life had displayed NBP/APE de-growth of -24%/-36% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -27 bps QoQ based on expected business mix changes.
SBILIFE IN	74,290	33	-8	33,982	17	-26	10,534	20	-27	We pencil in new business growth assumptions based on trends observed till May 2023, when SBI Life had displayed NBP/APE de-growth of -18%/-30% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -51 bps QoQ based on expected business mix changes.
IPRU IN	32,308	-4	-44	13,916	-8	-58	4,523	-4	-57	We pencil in new business growth assumptions based on trends observed till May 2023, when IPRU had displayed NBP/APE de-growth of -38%/-49% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin expansion of 52 bps QoQ based on expected business mix changes.
MAXF IN	17,005	15	-49	10,462	4	-59	2,929	38	-62	We pencil in new business growth assumptions based on trends observed till May 2023, when MAXF had displayed NBP/APE de-growth of -32%/-39% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). We pencil in an APE margin contraction of -234 bps QoQ based on expected business mix changes and also due to the seasonality in margins on account of calculation based on actual cost basis.

Source: Companies, YES Sec – Research, * For HDFC Life 1QFY24E and Q4FY23 NBP, APE and VNB are Post-Merger number and Q1FY23 are Pre-Merger numbers

Exhibit 15: General Insurance - Earnings expectation snapshot

General Insurance (Rs mn)	NEP			Underwriting Profit			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
ICICI Lombard	44,238	27.6	18.7	(2,433)	25.9	-3.0	5,530	58.4	26.6	We pencil in net earned premium growth assumption based on trends observed till May 2023, when ICICIGI had displayed GDPI growth of 27% for 2M1QFY24 (April and May 2023) over 2M4QFY23 (January and February 2023). Motor and Health Loss Ratio would be marginally lower on sequential basis due to better pricing.

Source: Company, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 16: Asset Managers - Earnings expectation snapshot - Stocks are as per order of market capitalisation

Asset Managers (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
HDFC AMC	5,866	12.5	8.4	4,370	12.2	6.4	4,146	32.0	10.2	Overall AUM for HDFCAMC grew 5.1% as of May 2023 compared with Mar 2023. Equity AUM grew by 6.7% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.6% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 6.5% QoQ for HDFCAMC. We expect EBITDA margin will be marginally lower sequentially due to general trend of higher employee expense in 1Q but expect other income to be strong during the quarter.
Nippon Life AMC	3740	18.3	7.4	2244	25.3	7.5	2269	98.4	14.7	Overall AUM for NAM grew 4.8% as of May 2023 compared with Mar 2023. Equity AUM grew by 5.9% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.4% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 6.3% QoQ for NAM. We expect EBITDA margin will be similar sequentially and other income to be strong during the quarter.
ABSL AMC	3,178	4.4	7.0	1,780	-2.0	12.6	1,785	73.5	31.6	Overall AUM for ABSLAMC grew 5.7% as of May 2023 compared with Mar 2023. Equity AUM grew by 1.6% over the same period leading to a decrease in share of pure Equity AUM QoQ by -1.4% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 7.0% QoQ for ABSLAMC. We expect EBITDA margin will be higher sequentially due to relatively higher other operating expense in 4QFY23 and expect other income to be strong during the quarter.
UTI AMC	2,829	-1.5	5.0	1,160	-15.5	27.8	1,807	91.4	110.9	Overall AUM for UTIAMC grew 1.7% as of May 2023 compared with Mar 2023. Equity AUM grew by 2.6% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.3% (excluding Balanced and Arbitrage Funds). We believe that trends as of June 2023 would be dependent on the trends seen till May while we additionally factor in Nifty Return of 3.5% for June 2023. We pencil in an overall AUM growth of 3.0% QoQ for UTIAMC. We expect EBITDA margin will be higher sequentially due to relatively higher other operating expense in 4QFY23 and expect other income to be strong during the quarter.

Source: Companies, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Exhibit 17: Specialty Finance (Asset Management industry-linked) - Earnings expectation snapshot

(Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
CAMS	2,706	14.3	8.6	1,184	21.0	8.6	812	25.7	9.2	Overall mutual fund industry AUM grew 7.2% as of May 2023 compared with March 2023. We additionally factor in Nifty return of 3.5% for June 2023 for industry AUM. Hence, we pencil in a revenue growth of 8.6% QoQ for CAMS. EBITDA margin for 1QFY24 is expected to be similar to 4QFY23.

Source: Company, YES Sec – Research

Exhibit 18: Fintech - Earnings expectation snapshot

Fintech (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	Q1 FY24	YoY (%)	QoQ (%)	
PAYTM	26,619	58.5	14.0	(2,077)	-67.2	60.9	(2,503)	-60.9	51.5	With steady loan disbursements and new device addition, we expect Paytm to post healthy sequential growth in revenue. We arrive at an overall growth in Revenue from operations of 14% QoQ. We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 62%, a metric that was 54.0% in 4QFY23 due to UPI incentives. We arrive at a Total Expenses (ex PPC) growth of 9% QoQ, compared with a growth of 2% in 4QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -7.8%, a deterioration of -227 bps QoQ as Paytm had received UPI incentives in 4QFY23.

Source: Company, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

FIXED INCOME MARKETS

Average Interest Rates and Spreads

Exhibit 19: Average Interest Rates and Spreads

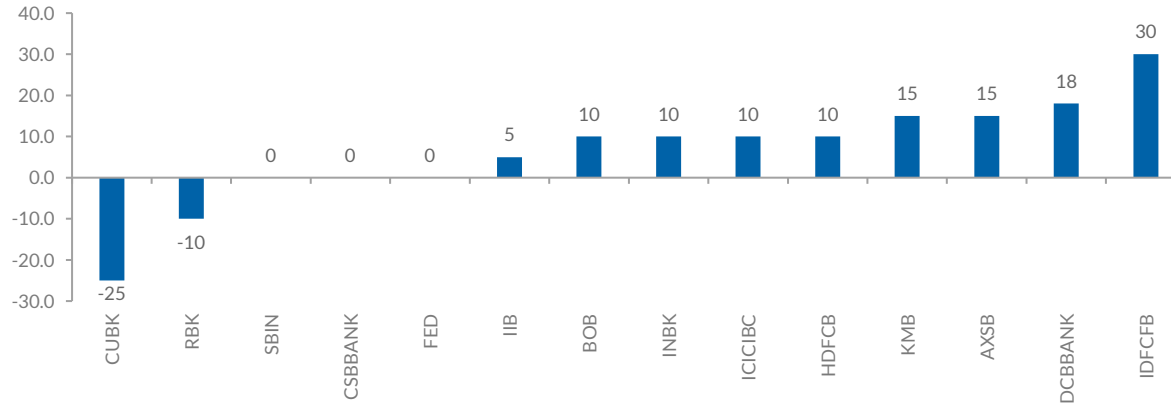
	1QFY24	1QFY23	YoYΔ	4QFY23	QoQΔ
Treasury yields					
10-year bond	7.07	7.32	-25 bps	7.35	-28 bps
3-month T-Bill	6.78	4.59	219 bps	6.65	13 bps
Corporate bond yields					
3Yr AAA	7.57	6.91	66 bps	7.75	-18 bps
5Yr AAA	7.57	7.21	35 bps	7.77	-20 bps
3Yr AA	8.23	7.55	67 bps	8.44	-21 bps
5Yr AA	8.22	7.91	30 bps	8.46	-24 bps
Other fixed income wholesale					
CD rate	7.03	4.77	226 bps	7.34	-31 bps
CP rate	7.26	5.11	215 bps	7.62	-36 bps
	2M 1Q FY24	1QFY23	YoY	4QFY23	QoQ
Bank spreads					
PSU banks	2.85	3.14	-29 bps	3.04	-19 bps
Private sector banks	4.33	4.55	-22 bps	4.48	-15 bps

Source: Bloomberg, RBI, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

MCLR levels

Exhibit 20: Rise in 1-Year MCLR – Mar'23 to Jun'23 - bps



Source: RBI, YES Sec – Research

Exhibit 21: Banks 1 Years MCLR – July 2022 to June 2023

Banks	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
BOB	7.65	7.70	7.80	7.95	8.05	8.30	8.50	8.55	8.55	8.60	8.60	8.65
INBK	7.55	7.65	7.75	7.85	8.10	8.20	8.30	8.45	8.55	8.60	8.60	8.65
SBIN	7.50	7.70	7.70	7.95	8.05	8.30	8.40	8.50	8.50	8.50	8.50	8.50
AXSB	8.00	8.05	8.10	8.35	8.45	8.75	8.80	8.90	8.95	8.95	9.10	9.10
CSBBANK	9.70	9.90	9.90	9.90	10.00	10.00	10.00	10.00	10.10	10.10	10.10	10.10
CUBK	7.75	8.00	8.00	8.25	8.25	8.25	8.25	8.40	8.40	8.40	8.15	8.15
DCBBANK	9.50	9.57	9.67	9.96	10.23	10.23	10.61	10.61	10.61	10.76	10.72	10.79
FED	8.30	8.50	8.50	8.70	8.70	9.00	9.20	9.20	9.30	9.30	9.40	9.30
HDFCB	8.05	8.10	8.20	8.20	8.55	8.60	8.85	8.90	8.95	8.95	9.05	9.05
ICICIBC	7.75	7.90	8.00	8.10	8.30	8.40	8.65	8.65	8.75	8.75	8.75	8.85
IDFCFB	8.80	8.95	9.00	9.10	9.25	9.35	9.50	9.60	9.65	9.85	10.00	9.95
IIB	9.10	9.30	9.40	9.55	9.80	9.95	9.95	10.05	10.15	10.20	10.20	10.20
KMB	8.05	8.10	8.20	8.45	8.55	8.65	8.95	9.00	9.05	9.10	9.20	9.20
RBK	9.15	9.25	9.45	9.70	9.80	9.90	9.95	10.15	10.20	10.20	10.20	10.10

Source: RBI, YES Sec - Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

Corporate bond yields

Exhibit 22: 3-year AAA Corporate Bond Yield



Source: Bloomberg, YES Sec – Research

Exhibit 24: 3-year AA Corporate Bond Yield



Source: Bloomberg, YES Sec – Research

Exhibit 23: 5-year AAA Corporate Bond Yield



Source: Bloomberg, YES Sec – Research

Exhibit 25: 5-year AA Corporate Bond Yield



Source: Bloomberg, YES Sec – Research

Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

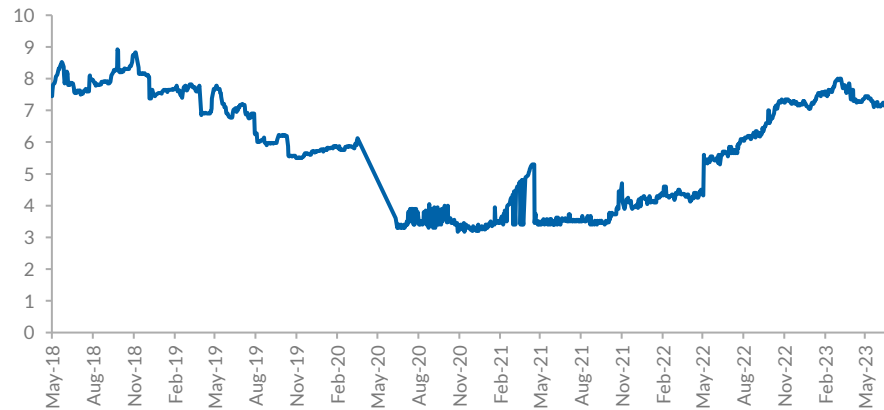
Other wholesale rates

Exhibit 26: Certificate of Deposit (CD) Rate



Source: Bloomberg, YES Sec – Research

Exhibit 27: 3-month NBFC Commercial Paper (CP) Rate



Source: Bloomberg, YES Sec – Research

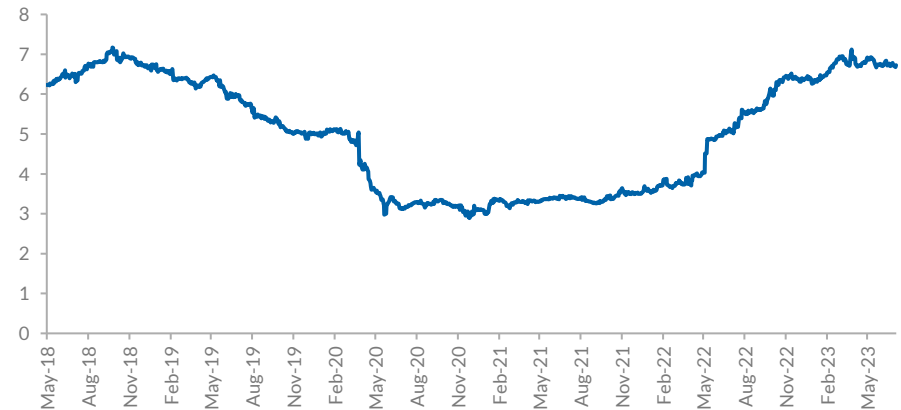
Treasury yields

Exhibit 28: 10-year Government Bond Yield



Source: Bloomberg, YES Sec – Research

Exhibit 29: 91-Day Treasury Bill Rate

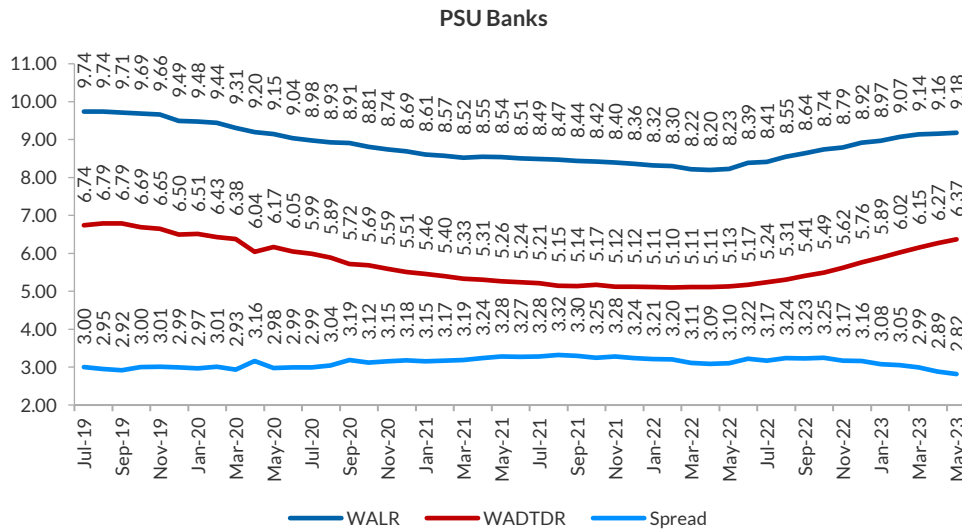


Source: Bloomberg, YES Sec – Research

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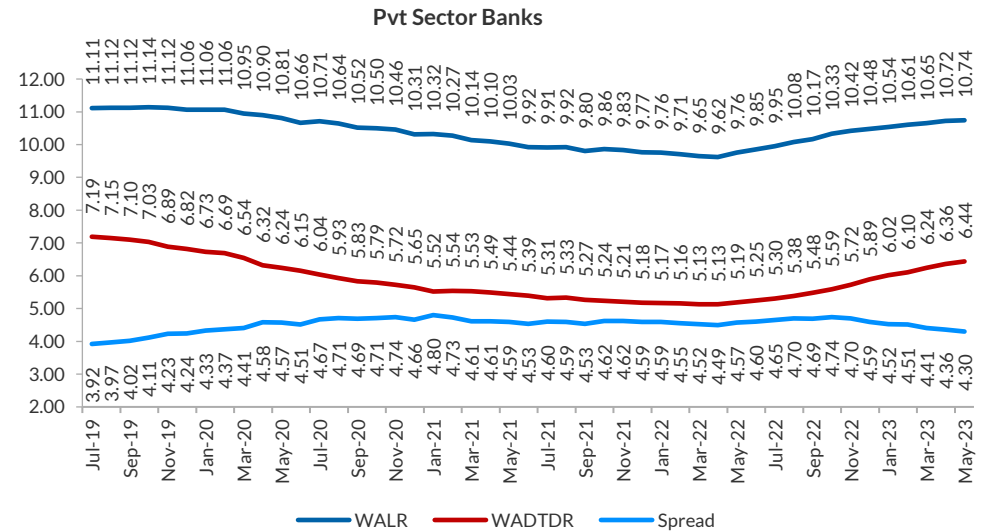
Weighted Average Lending and Term Deposit Rates of Banks

Exhibit 30: Weighted Average Lending and Term Deposit Rates of PSU Banks



Source: RBI, YES Sec – Research

Exhibit 31: Weighted Avg. Lending and Term Deposit Rates of Private Sector Banks



Source: RBI, YES Sec – Research

N.B. **WALR**: Weighted Average Lending Rate. **WADTDR**: Weighted Average Domestic Term Deposit Rate

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Q1 FY24 Earnings Preview – Banks, Insurers, Asset Managers and Fintech

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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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