Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	72,944	-0.6	1.0
Nifty-50	22,148	-0.6	1.9
Nifty-M 100	49,237	-0.1	6.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,022	-0.6	5.3
Nasdaq	15,683	-1.1	4.5
FTSE 100	7,848	0.4	1.5
DAX	17,770	0.0	6.1
Hang Seng	5,750	0.1	-0.3
Nikkei 225	37,962	-1.3	13.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	91	0.0	16.6
Gold ($/OZ)	2,370	-0.6	14.9
Cu (US$/MT)	9,499	0.0	12.2
Almn (US$/MT)	2,568	0.0	9.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	83.5	0.1	0.4
USD/EUR	1.1	0.0	-3.7
USD/JPY	154.6	0.2	9.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.02	0.0
10 Yrs AAA Corp	7.6	0.00	-0.2
Flows (USD b)	**16-Apr**	**MTD**	**CYTD**
FIIs	-0.5	6.49	1.3
DIIs	0.24	1.80	15.3
Volumes (INRb)	**16-Apr**	**MTD***	**YTD***
Cash	1,017	1072	1177
F&O	5,26,337	3,66,917	3,93,270

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

ICICI Lombard: Strong show; better guidance for combined ratio

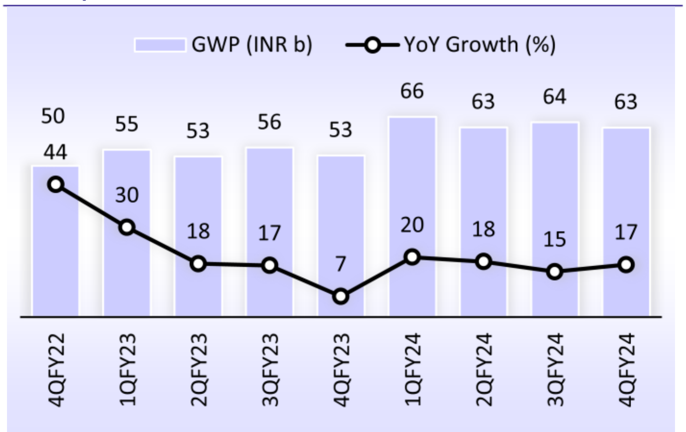
- ICICI Lombard's (ICICIGI) NEP came in line with our estimate at INR44b (up 17% YoY) in 4QFY24. Total investment income was in line with our expectations (3% beat on policyholders account and 5% miss on shareholders account).
- The claims ratio came in at 68.6% vs. 70.0% 3QFY24 (our est. 70.9%). The combined ratio stood at 102.2% vs. 103.6% in 3QFY24 (our est. ~104.3).
- PAT grew 19% YoY to INR5.2b in 4Q, beating our estimate by 17%. For FY24, PAT came in at INR19.2b vs. INR16b in FY23 (20% growth YoY).
- The company has improved its combined ratio guidance to 101.5% as the exit rate for FY25 vs. 102 earlier.
- Management is upbeat about continued gains in market share in the motor segment and retail health segment. With favourable regulatory moves industry trends would be supportive. With FY24-26 PAT CAGR at 25%, RoE reaching 20% in FY26 and combined ratio expected to improve to 101.5% in FY26, we maintain BUY with a target of INR2,100 (35x FY26 EPS).

Research covered

Cos/Sector	Key Highlights
ICICI Lombard	Strong show; better guidance for combined ratio
Oil & Gas	OMCs: Earnings volatility a risk; but attractively placed
Tata Communications	EBITDA down 7% QoQ (9% miss)
Angel One	Strong operating performance boosts profitability
EcoScope	Monsoon update: IMD forecasts above-normal rainfall

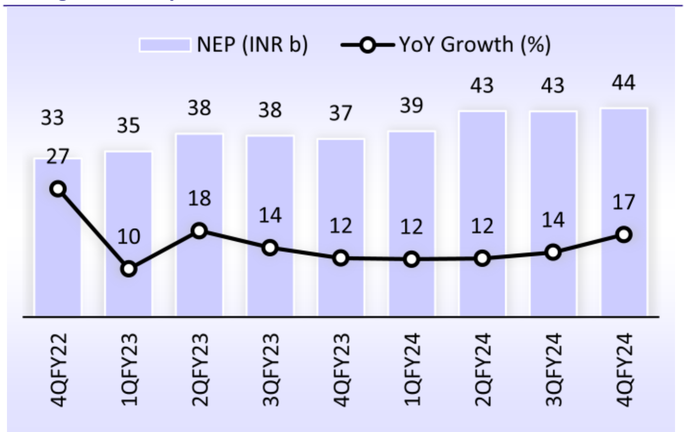
Chart of the Day: ICICI Lombard (Strong show; better guidance for combined ratio)

GWP up 17% YoY at INR63b



Source: MOFSL, Company

NEP growth improved to 17% YoY



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Vedanta expects demerger of units to be completed by December 2024

Vedanta announced the demerger of its business to create 6 different entities on September 29. The newly created entities will be Vedanta Aluminium, Vedanta Oil and Gas, Vedanta Power, Vedanta Steel and Ferrous Materials, Vedanta Base Materials and Vedanta Ltd

2

Reliance Consumer hits it big in 1st year which took rivals decades; co logs sales of Rs 3k cr in FY24

Reliance Industries' fast-moving consumer goods (FMCG) company, Reliance Consumer Products (RCPL), clocked ₹3,000 crore sales in FY24, its first full year of operations. Beverage brand Campa Cola contributed ₹400 crore

3

Credit demand, low liquidity boost deposit rates at banks

Despite RBI's unchanged rates, lenders raised deposit rates by 96 bps in FY24 due to rising credit demand. Liquidity tightened with incremental cash reserve ratio, leading to a multi-year high liquidity deficit.

4

Predictions of normal monsoon boost prospects for domestic agrochem firms

Domestic firms may outperform exports in March quarter and in FY25

5

Crude oil import bill shrank 15.9% in FY24, thanks to Russia shipments

Import volumes remained stable at 232 mmt in FY24 as dependency increase

6

Long runway of growth for AMCs, likely to report strong growth in Q4FY24

The share prices of listed asset management companies have outperformed the benchmark Sensex and analysts remain positive on the sector

7

Operating margins of cotton yarn spinners to improve by 150-200 bps this fiscal, says CRISIL

In fiscal 2024, CRISIL said, profitability was affected by lower cotton yarn spreads and inventory losses. However, this fiscal holds better promise.

ICICI Lombard

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USDb)	812.3 / 9.7
52-Week Range (INR)	1740 / 1055
1, 6, 12 Rel. Per (%)	-1/11/27
12M Avg Val (INR M)	1023

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
NEP	168.7	192.2	223.2
U/W Profit	-9.8	-9.1	-9.2
PBT	25.6	33.0	39.0
PAT	19.2	24.8	29.3
EPS (INR/share)	38.9	50.3	59.4
EPS Growth (%)	11.0	29.1	18.1
BVPS (INR/share)	242.8	276.8	319.9
Ratios (%)			
Claims	70.8	70.0	69.7
Commission	17.0	16.5	16.6
Expense	15.5	15.6	15.2
Combined	103.3	102.2	101.5
RoE	17.2	19.4	19.9
Valuations			
P/E (x)	42.3	32.8	27.8
P/BV (x)	6.8	6.0	5.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	47.9	48.0	48.0
DII	18.0	18.6	16.8
FII	23.0	22.4	23.4
Others	11.0	11.1	11.8

FII includes depository receipts

CMP: INR1,649 TP:INR2,100 (+27%) Buy

Strong show; better guidance for combined ratio

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- PAT grew 19% YoY to INR5.2b in 4Q, beating our estimate by 17%. For FY24, PAT came in at INR19.2b vs. INR16b in FY23 (20% growth YoY).
- The company has improved its combined ratio guidance to 101.5% as the exit rate for FY25 vs. 102 earlier.
- Management is upbeat about continued gains in market share in the motor segment and retail health segment. With favourable regulatory moves industry trends would be supportive. With FY24-26 PAT CAGR at 25%, RoE reaching 20% in FY26 and combined ratio expected to improve to 101.5% in FY26, we maintain BUY with a target of INR2,100 (35x FY26 EPS).

Investment income came in line

- **Gross domestic premium** income grew 17% YoY in 4QFY24 to INR63b, in line with our estimates.
- NEP was broadly in line with our estimate at INR44b, up 17% YoY. NEP for Health business grew 36% YoY, led by 40% growth in group health and 22% growth in retail health. Motor segment was up 7% YoY, and Marine segment grew 26% YoY. NEP in Crop jumped 245% YoY, while it fell 14% YoY in Fire.
- **Underwriting loss** stood at INR2.3b vs. a loss of INR2.8b in 3QFY24.
- **Total investment income** was in line with our expectations (3% beat on policyholders account and 5% miss on shareholders account).

Claims ratio broadly in line

- **Claims ratio** came in at 68.6% vs. 70.0% in 3QFY24 (our est. 70.9%). The loss ratio for the Motor OD segment declined to 58.4% from 69.4% in 4QFY23 and for the Motor TP, it declined to 73.4% from 86.5% in 4QFY23.
- Combined ratio stood at 102.2% vs. 103.6% in 3QFY24 and 104.2% in 4QFY23 (our est. 104.3%). Excluding the impact of CAT losses of INR1.37b, the combined ratio stood at 102.2% in FY24.
- On a sequential basis, **commission ratio** increased to 19.9% in 4QFY24 from 18% in 3QFY24 (our est. 17.8%).
- **Expense ratio** declined to 13.7% from 15.5% in 3QFY24 (our est. 15.6%).
- **Solvency ratio** was 2.62 vs. 2.57 in 3QFY24.

Highlights from the management commentary

- By FY25 end, the combined ratio would be 101.5% vs. 102% guided earlier.
- The loss ratio in the OD segment is expected to range around 60-65% and in the TP segment, it is expected to range around 65-70%.

- Overall, the combined ratio for the industry was 112.2% in 9MFY24 vs. 116.2% in 9MFY23. For the Motor segment, the combined ratio was 118.2% in 9MFY24 vs. 121.9% in 9MFY23. Compared to 1HFY24, there was a 300bp improvement in 3QFY24 to 115.9%. This reflects some rationality in pricing in the industry.

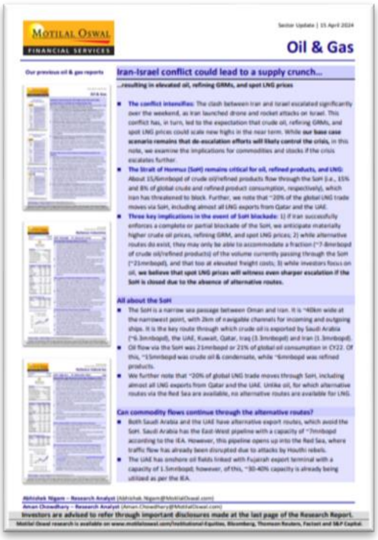
Valuation and view: Retain BUY

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 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 its combined ratio and RoE over the next couple of years. The management continues to guide for better performance and also expects improvement in the combined ratio by FY25. We maintain a BUY rating on the stock with a TP of INR2,100 (35x FY26E EPS).

Quarterly Performance (INR m)

Y/E March	FY23				FY24				FY23	FY24	4Q FY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross premium	55,298	53,026	55,997	53,397	66,221	62,723	64,366	62,631	2,10,251	2,55,942	61,819	1.3
Net written premium	36,233	37,059	41,630	40,473	44,676	42,401	46,907	47,672	1,55,395	1,81,656	45,051	5.8
Net earned premium	34,682	38,366	37,921	37,260	38,873	43,061	43,048	43,683	1,48,229	1,68,665	42,103	3.8
Investment income + Trf from SH A/C	5,101	6,625	5,700	15,296	6,507	7,431	6,983	7,935	32,721	28,856	7,696	3.1
Total Income	**39,783**	**44,990**	**43,620**	**52,556**	**45,380**	**50,492**	**50,031**	**51,617**	**1,80,949**	**1,97,521**	**49,799**	**3.7**
Change YoY (%)	3.8	18.1	13.2	13.4	14.1	12.2	14.7	-1.8	12.2	9.2	-5.2	
Incurred claims	24,999	27,933	26,663	27,662	28,815	30,451	30,141	29,987	1,07,256	1,19,395	29,851	0.5
Net commission	782	1,282	1,744	914	5,564	7,371	8,457	9,499	4,722	30,890	8,010	18.6
Opex	10,834	10,673	12,448	11,193	7,689	6,698	7,274	6,516	45,148	28,177	7,044	-7.5
Total operating expenses	36,615	39,888	40,855	39,768	42,068	44,521	45,871	46,002	1,57,126	1,78,462	44,905	2.4
Change YoY (%)	-3.1	19.0	14.1	9.7	14.9	11.6	12.3	15.7	9.6	13.6	12.9	
Underwriting Profit	-1,933	-1,523	-2,935	-2,508	-3,195	-1,460	-2,823	-2,319	-8,898	-9,797	-2,802	N.A
Operating profit	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,616	23,823	19,059	4,894	14.7
Shareholder's P/L												
Transfer from policyholder's	3,168	5,102	2,765	12,788	3,312	5,972	4,160	5,616	23,823	19,059	4,894	14.7
Investment income	1,711	2,055	2,081	1,910	1,856	2,219	2,088	2,337	7,757	8,500	2,457	-4.9
Total Income	4,879	7,157	4,846	14,698	5,168	8,190	6,248	7,953	31,579	27,559	7,351	8.2
Provisions other than taxation	30	890	9	-89	-182	410	371	800	838	1,399	381	109.9
Other expenses	198	171	185	9,062	150	144	140	175	9,616	608	200	-12.5
Total Expenses	228	1,060	193	8,973	-32	554	511	975	10,454	2,007	581	67.8
PBT	**4,651**	**6,097**	**4,653**	**5,725**	**5,200**	**7,637**	**5,737**	**6,978**	**21,125**	**25,552**	**6,770**	
Change YoY (%)	80.1	2.7	10.5	39.5	11.8	25.3	23.3	21.9	25.5	21.0	18.3	
Tax Provisions	1,161	1,471	1,127	1,356	1,297	1,864	1,423	1,783	5,115	6,365.9	1,549	15.1
Adj. Net Profit	**3,490**	**4,625**	**3,525**	**4,370**	**3,904**	**5,773**	**4,315**	**5,195**	**16,011**	**19,186**	**5,221**	-0.5
Change YoY (%)	79.6	3.6	11.0	39.8	11.8	24.8	22.4	18.9	26.0	19.8	19.5	
Rep Net Profit	**3,490**	**5,905**	**3,525**	**4,370**	**3,904**	**5,773**	**4,315**	**5,195**	**17,291**	**20,466**	**4,453**	16.7
Key Parameters (%)												
NEP mix (%)												
Fire	4.3	4.5	4.4	4.4	3.4	3.8	3.4	4.0	4.4	4.0		
Marine	3.0	2.8	2.9	3.2	3.0	2.9	3.1	3.4	3.0	2.9		
Health including (PA)	28.8	27.8	29.6	30.4	33.9	32.1	35.9	35.3	28.0	30.6		
Motor	58.7	55.1	56.5	56.4	54.1	50.4	50.8	51.3	56.6	53.8		
Others	5.1	9.9	6.6	5.6	5.7	10.8	6.8	6.0	8.0	8.8		
Claims ratio	72.1	72.8	70.3	74.2	74.1	70.7	70.0	68.6	72.4	70.8	70.9	-2.3
Commission ratio	2.2	3.5	4.2	2.3	12.5	17.4	18.0	19.9	3.0	17.0	17.8	2.1
Expense ratio	29.9	28.8	29.9	27.7	17.2	15.8	15.5	13.7	29.1	15.5	15.6	-2.0
Combined ratio	104.1	105.1	104.4	104.2	103.8	103.9	103.6	102.2	104.5	103.3	104.3	-2.1
Solvency	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.9	3.0	0.0	

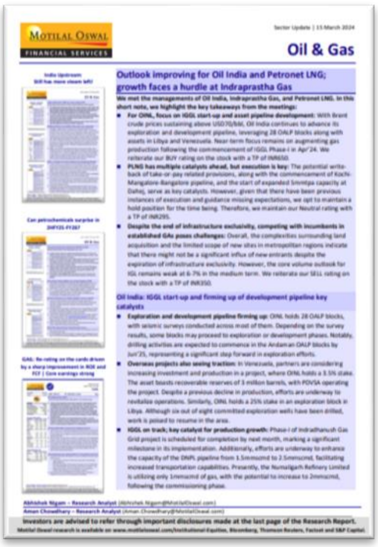
Oil & Gas


Oil & Gas

Iran-Israel conflict could lead to a supply crunch…


Reliance Industries

Turning New Energy Vision to action


Oil & Gas

Outlook improving for Oil India and Petronet LNG; growth faces a hurdle at Indraprastha Gas

OMCs: Earnings volatility a risk; but attractively placed

- **HPCL, BPCL, and IOCL have corrected 9-18% since mid-Feb as the gross marketing margins on petrol/diesel have declined to an average of INR2.3/INR0.2 per lit in Apr'24 from an average of INR8.0/INR3.4 per lit in 4QFY24.**
- **The current weakness in marketing margins is largely attributable to geopolitical headwinds, ongoing refining capacity maintenance (which has kept diesel GRM high), and elevated freight rates for oil/product transportation. As such, we expect marketing margins to normalize at higher levels from 2QFY25 onwards as the impact of these events subsides.**
- **HPCL, BPCL, and IOCL are currently trading at FY26E P/B of 1.1x, 1.4x, and 1.2x vs. Oct'23 valuations of 0.8x, 1.0x, and 0.7x, respectively. However, marketing margins were significantly weaker at INR2/-7 per lit for MS/HSD in Oct'23.**

OMCs: Marketing margins to recover as geopolitical challenges ebb

- Gross marketing margins on MS/HSD have been under pressure recently, down to an average of INR2.3/0.2 per lit in Apr'24 vs. our assumption of INR3.3/lit each for both products.
- While the recent oil price cut of INR2/lit each on MS/HSD was in line with our expectations, we do not foresee any further retail price cuts (or a rollback of the recent cut) after the imminent General Elections.
- Oil price volatility remains a risk to earnings stability, as we highlight that the current oil prices (and even refining GRMs) have built in a premium of up to ~USD2/bbl due to the Red Sea crisis. This is because freight rates have risen 60-100% as the ships were forced to sail around the Cape of Good Hope.
- That being said, as impact of geopolitical headwinds wanes, we expect gross marketing margins to recover and come closer to our assumption of INR3.3/lit.

HPCL and IOCL have valuation support

- Even if the current depressed marketing margins sustain, we estimate HPCL to generate an RoE of ~10% in FY25. At 1.1x FY26E P/B, we believe valuations have limited room for correction. We see the following as the key medium-term triggers for HPCL: 1) ~10% YoY increase in refining throughput as the Vizag refinery stabilizes; 2) upto 10% higher distillate yield following mechanical completion of the bottom upgrade project in 1QFY25; and 3) commissioning of the 9mmtpa Rajasthan refinery in FY26.
- Based on our estimates, IOCL will generate a 13% RoE in FY25 on normalized marketing margins of INR3.3/lit each for MS/HSD given its larger base and lower leverage to the marketing business. However, we like the strong 20%+ refining capacity growth slated to come between FY24 and FY27. Additionally, we believe the recent announcement about signing a binding agreement with Panasonic Energy Co. to explore Lithium-ion cell manufacturing in India can keep investor interest elevated for the stock.
- **We reiterate our neutral rating on BPCL:** The stock price has been up 77% in the past one year and has underperformed HPCL (107%) and IOCL (119%). Volume growth for BPCL is back-end loaded, driven by the INR500b petchem project that will commence operations in FY28. On consolidated FY26E P/B basis, BPCL is trading at 1.4x vs. HPCL (1.1x) and IOCL (1.2x).

MAHGL, GAIL, and ONGC remain our preferred picks in the sector

- **Mahanagar Gas:** We recently published our opinion on the CNG price cut and infrastructure exclusivity issue; we continue to prefer MAHGL over IGL (**Sell**) where growth remains a challenge.
- **GAIL:** is a beneficiary of lower gas prices and higher crude prices (via higher petchem prices); at ~12x FY26E P/E, we believe valuation remains attractive. While current capex cycle is ending, GAIL continues to explore avenues for investments in small-scale LNG, coal gasification, and green hydrogen.
- **ONGC** continues to trade at 0.9x FY26E P/B on consolidated basis; we expect sustained elevated crude prices to revive volumes in the overseas portfolio for both OVL and Oil India.

Valuation and View: HPCL remains our top pick followed by IOCL

- **HPCL (BUY):** We value the stock at 1.4x FY26E P/B to **arrive at our TP of INR590.**
- **IOCL (BUY):** trades at ~10x consolidated FY25E EPS and 1.3x FY25E P/B. **We reiterate our BUY rating with a TP of INR195, valuing it at 1.4x FY26E P/B.**
- **BPCL (Neutral):** At 1.4x FY26E P/B, we see limited downside from the current level. However, with minimal volume growth in the next two years and volatility in earnings from the marketing division, **we reiterate our Neutral rating on the stock with a TP of INR620, valuing it at 1.5x FY26E P/B.**

Valuation snapshot

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
HPCL	Buy	590	105.7	79.5	80	4.5	6	6	1.6	1.3	1.1	5.4	6.5	6.3	39.8	23.9	20.5
IOCL	Buy	195	34.4	16.2	15.4	4.9	10.5	11.1	1.4	1.3	1.2	4.6	7.8	7.8	31	12.9	11.4
BPCL	Neutral	620	144.3	74.5	75.3	4.2	8.1	8	1.8	1.6	1.5	3.9	6.6	6.1	49.2	21.2	19.2

Source: Company, MOFSL

Tata Communications

BSE SENSEX	S&P CNX
72,944	22,148

Conference Call Details

Date: 18th Apr 2024
Time: 02:30PM IST

Financials & Valuations

INR b	FY24	FY25E	FY26E
Net Sales	209.7	242.4	272.2
EBITDA	42.3	45.5	52.9
Adj. PAT	11.6	13.0	18.9
EBITDA Margin (%)	20.2	18.8	19.4
Adj. EPS (INR)	40.7	45.5	66.5
EPS Gr. (%)	-32.9	11.6	46.2
BV/Sh. (INR)	62.7	96.5	151.4
Ratios			
Net D:E	4.9	2.4	0.8
RoE (%)	70.3	57.1	53.6
RoCE (%)	14.4	13.6	16.5
Payout (%)	24.5	22.0	15.0
Valuations			
EV/EBITDA (x)	14.8	13.2	10.8
P/E (x)	46.3	41.5	28.4
P/BV (x)	30.1	19.5	12.5
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	1.8	4.8	6.1

CMP: INR1,884 — Neutral

EBITDA down 7% QoQ (9% miss)

Data segment revenue/EBITDA remain flat

- Consol. revenue grew 1% QoQ to INR56.9b (in line) in 4QFY24. Data revenue also reported slow growth of 1% QoQ.
  - Adjusted for Switch and Kaleyra (acquired business), consol./data revenues were flat QoQ. For the last two quarters, adjusted data revenue has been flat QoQ.
  - The above-mentioned acquired businesses' revenue grew 4% QoQ to INR9.5b.
- Consol. EBITDA declined 7% QoQ to INR10.6b (9% miss), led by a loss in the data segment of the acquired businesses.
  - **The EBITDA miss was attributed to EBITDA loss of INR820m (est. +INR290m) in the data segments of Kaleyra and Switch.**
  - **Adjusted for the acquired business, consol. EBITDA grew 1.3% QoQ to INR10.4b and margins stood at 21.9%.**
  - **In 3QFY24, the reduction in listing expenses and other cost synergies helped Kaleyra become profitable in the first quarter itself. Although that benefit continued in 4Q as well, EBITDA decreased to +INR193m (from +INR1.1b in 3QFY24) due to the harmonization of accounting principles and other integration-related charges.**
  - Consol. EBITDA margin declined by 160bp QoQ to 18.6% (150bp miss). The long-term company guidance is 23-25% margin.
- Adj. PAT after minority grew 62% QoQ to INR3.7b (25% miss), led by the reversal of past tax losses of Tata Communications (Bermuda), totaling INR1.86b.
- FY24 revenue grew 18% YoY, while EBITDA/adj. PAT declined 2%/30% YoY.

Segmental details: DPS declined 0.8% QoQ; Others segment reported 2.5% QoQ growth

- Data revenue, the key driver of revenue growth (82% of consol. revenue/EBITDA) increased 0.8% QoQ to INR46.6b (in line). Adjusted for Switch and Kaleyra revenue, data revenue grew 0.4% QoQ to INR38.5b.
  - Data EBITDA declined 11% QoQ and margins stood at 18.4% (down 240bp QoQ). Adjusted for Switch and Kaleyra EBITDA, data EBITDA rose 0.6% QoQ to INR9.4b and margins stood at 24.4%.
  - Within the segment, core connectivity (55% contribution) grew 2.2% QoQ, while DPS (45% contribution) declined 0.8% QoQ.
- Voice segment was up 1.4% QoQ at INR4.3b and EBITDA declined 12% QoQ to INR440m, leading to 160bp margin contraction QoQ to 10.3%.
- Others segment grew 2.5% QoQ to INR6.1b, led by TCR sub-segment. EBITDA rose 28% QoQ to INR1.6b, while margins expanded 500bp QoQ to 25.5%.

Balance sheet and cash flow analysis:

- Due to the acquisitions, net debt increased by INR34b YoY to INR91b in FY24.
  - The net debt-to-EBITDA ratio increased to 2.4x (vs. 1.6x in FY23).
- OCF declined 30% YoY to INR28b, owing to INR11b blocked in working capital. Capex increased by 40% YoY to INR21b and investments in associates stood at INR13b, leading to a decline of INR5.2b in free cash.
- RoCE declined to 19% vs. 28%/21% in FY23/3QFY24.

Others

- **Dividend:** TCOM has proposed a dividend of INR16.7 per share vs. INR21 in FY23.
- **VIL related:** The carrying amount of trade receivables stood at INR2.4b as of Dec'23 (~1% of annual revenue).

Cons. Quarterly Earning Model (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Revenue	**43.1**	**44.3**	**45.3**	**45.7**	**47.7**	**48.7**	**56.3**	**56.9**	**178.4**	**209.7**	**57.7**	-1
YoY Change (%)	5.1	6.2	8.2	7.2	10.7	10.0	24.4	24.6	6.7	17.5	36.6	
Total Expenditure	32.3	33.0	34.5	35.3	37.5	38.6	45.0	46.4	135.2	167.4	46.1	0
EBITDA	**10.8**	**11.3**	**10.8**	**10.3**	**10.2**	**10.2**	**11.3**	**10.6**	**43.2**	**42.3**	**11.6**	-9
YoY Change (%)	9.2	1.5	-0.5	-1.1	-4.9	-10.1	5.3	2.1	2.2	-2.0	10.4	
Depreciation	5.4	5.5	5.5	6.2	5.8	6.1	6.2	6.7	22.6	24.7	6.4	4
Interest	0.8	1.0	1.2	1.3	1.3	1.4	1.9	1.9	4.3	6.4	2.2	-13
Other Income	2.3	0.4	0.3	0.6	1.9	0.3	0.1	0.6	3.6	2.8	3.4	-83
PBT before EO expense	**6.9**	**5.2**	**4.3**	**3.5**	**5.0**	**3.0**	**3.4**	**2.6**	**19.9**	**14.0**	**6.4**	-59
Exceptional (gain)/loss	0.0	-0.8	0.0	0.0	0.0	0.0	1.9	0.5	-0.8	2.4	0.0	
PBT	**6.9**	**5.9**	**4.3**	**3.5**	**5.0**	**3.0**	**1.5**	**2.1**	**20.6**	**11.6**	**6.4**	-68
Tax	1.6	0.7	0.4	0.3	1.3	0.8	1.1	-1.1	3.0	2.1	1.6	
Rate (%)	22.9	11.1	10.1	8.1	25.9	26.1	73.8	-52.4	14.4	18.4	25.0	
MI & P/L of Asso. Cos.	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.2	0.2	
Reported PAT	**5.4**	**5.3**	**3.9**	**3.3**	**3.8**	**2.2**	**0.4**	**3.2**	**18.0**	**9.7**	**5.0**	-35
Adj PAT	**5.4**	**4.6**	**3.9**	**3.3**	**3.8**	**2.2**	**2.3**	**3.7**	**17.2**	**12.0**	**5.0**	-25
YoY Change (%)	87.2	10.5	1.9	-15.5	-30.2	-51.5	-41.5	14.5	16.5	-30.0	54.4	

E: MOFSL Estimates

Angel One

BSE SENSEX	S&P CNX
72,944	22,148

Conference Call Details

Date: 18th Apr 2024

Time: 11:00am IST

Link for the call

Financials & Valuations (INR b)

Y/E March	2024	2025E	2026E
Revenues	33.3	50.4	65.7
Opex	17.3	27.4	34.8
PBT	15.5	22.1	29.5
PAT	11.6	16.9	22.5
EPS (INR)	140.5	204.4	271.7
EPS Gr. (%)	30.7	45.5	32.9
BV/Sh. (INR)	348.0	470.7	633.7
Ratios (%)			
C/I ratio	51.9	54.3	52.9
PAT margin	34.9	33.6	34.2
RoE	46.2	49.9	49.2
Div. Payout	38.0	40.0	40.0
Valuations			
P/E (x)	20.3	14.0	10.5
P/BV (x)	8.2	6.1	4.5
Div. Yield (%)	1.9	2.8	3.8

CMP: INR2,852 **Buy**

Strong operating performance boosts profitability

- Net brokerage income grew 65% YoY and 34% QoQ to INR6.8b in 4QFY24. Net revenue from operations rose 65% YoY and 27% QoQ to INR 8.7b.
- Gross broking business jumped 59% YoY to INR9.2b, driven by F&O segment (+55% YoY, +32% QoQ) and cash segment (+119% YoY, +30% QoQ).
- Net interest income came in at INR1.9b, up 64% YoY/9% QoQ. MTF book stood at INR20.29b vs. INR13.14b in 4QFY23.
- Total operating expenses surged 114% YoY and 26% QoQ. On a sequential basis, the CI ratio declined marginally by ~80bp to 55.2% in 4QFY24.
- PAT stood at INR3.4b, up 27% YoY and 31% QoQ.
- The quarterly gross client acquisition run rate stood at 2.9m, up 17% QoQ. Total orders stood at 471m in 4QFY24, up 35% QoQ.
- For FY24, net revenue/PAT grew 47%/26% YoY to INR27.6b/INR11.3b.
- The company raised INR15b via QIP and the shares were allotted on 2nd Apr'24 at INR2,555.01 per share.

Strong growth in F&O & Cash segment

- Growth in gross broking business (+59% YoY to INR9.2b) was driven by F&O segment (+55% YoY/+32% QoQ) and cash segment (+119% YoY/+30% QoQ).
- Net interest income came in at INR1.9b, up 64% YoY and 9% QoQ. Avg. client funding book stood at INR20.29b vs. INR13.14b in 4QFY23.
- Other income increased by 66% YoY to INR 1.87b.

CI ratio stands at 55.2%

- Total operating expenses jumped 114% YoY and 26% QoQ. On a sequential basis, the CI ratio declined marginally by ~80bp to 55.2% in 4QFY24.
- Employee costs increased 12% QoQ to INR1.58b, whereas admin & other expenses rose 33% QoQ.

Total orders grew 79% YoY

- ADTO stood at INR40.4t, up 22% QoQ and 138% YoY. The total number of orders increased to 471m in 4QFY24 from 263m in 4QFY23.
- F&O ADTO grew 23.5% QoQ and 141% YoY to INR43.85t. The number of orders grew 44% YoY to 355m (215m in 4QFY23). Revenue per order declined to INR22.1.
- Cash ADTO grew 38% QoQ to INR76b (+181% YoY). The number of orders rose 38% QoQ (+176% YoY) to 102m. However, revenue per order declined by 20% YoY to INR10.
- Commodity ADTO increased 93% YoY and 8% QoQ. However, the total number of orders in commodities segment remained flat at 14m.

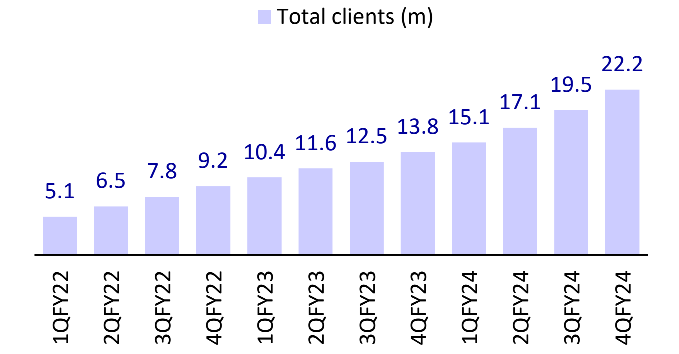
Valuation and view

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 be driven by loans, insurance and few other products. The management continues to invest in technology to strengthen its position. We may review our estimates after the concall on 18th Apr'24.

Quarterly Performance												(INR m)
Y/E March	FY23				FY24				FY23	FY24	YoY Growth	QoQ Growth
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from Operations	4,203	4,559	4,625	5,313	5,198	6,747	6,874	8,742	18,700	27,562	65%	27%
Other Income	948	1,029	1,126	1,129	1,088	1,411	1,401	1,869	4,232	5,769	66%	33%
Total Income	**5,151**	**5,588**	**5,751**	**6,442**	**6,286**	**8,158**	**8,275**	**10,611**	**22,932**	**33,331**	65%	28%
Change YoY (%)	51.2	44.0	29.3	26.4	22.0	46.0	43.9	64.7	36.3	45.3		
Operating Expenses	2,660	2,662	2,648	2,736	3,230	3,974	4,635	5,856	10,705	17,695	114%	26%
Change YoY (%)	52.5	30.5	20.9	19.0	21.4	49.3	75.1	114.0	29.4	65.3		
Depreciation	65	69	80	89	89	112	131	167	303	498	87%	27%
PBT	**2,427**	**2,857**	**3,023**	**3,616**	**2,967**	**4,072**	**3,509**	**4,588**	**11,924**	**15,137**	27%	31%
Change YoY (%)	49.6	59.2	36.9	31.8	22.3	42.5	16.1	26.9	42.5	26.9		
Tax Provisions	611	721	739	946	759	1,027	907	1,188	3,016	3,881	26%	31%
Net Profit	**1,816**	**2,137**	**2,284**	**2,670**	**2,208**	**3,045**	**2,602**	**3,400**	**8,907**	**11,255**	27%	31%
Change YoY (%)	49.6	59.0	38.7	30.3	21.6	42.5	13.9	27.3	42.5	26.4		
Key Operating Parameters (%)												
Cost to Income Ratio	51.6	47.6	46.0	42.5	51.4	48.7	56.0	55.2	46.7	53.1	1272bps	-82bps
PBT Margin	47.1	51.1	52.6	56.1	47.2	49.9	42.4	43.2	52.0	45.4	-1290bps	83bps
Tax Rate	25.2	25.2	24.4	26.2	25.6	25.2	25.8	25.9	25.3	25.6	-27bps	5bps
PAT Margins	35.3	38.2	39.7	41.4	35.1	37.3	31.4	32.0	38.8	33.8	-941bps	59bps
Revenue from Operations (INR m)												
Gross Broking Revenue	4,707	5,187	5,100	5,812	5,575	7,270	7,084	9,240	20,806	29,169	59%	30%
F&O	3,813	4,253	4,182	5,056	4,683	6,180	5,951	7,854	17,304	24,667	55%	32%
Cash	659	674	612	465	558	800	779	1,016	2,410	3,153	119%	30%
Commodity	188	207	255	232	279	291	354	370	883	1,293	59%	4%
Currency	47	52	51	58	56	0	0	0	208	56		
Net Broking Revenue	3,191	3,560	3,508	4,140	3,933	5,199	5,107	6,822	14,399	21,062	65%	34%
Net Interest Income	1,012	999	1,117	1,172	1,265	1,548	1,767	1,920	4,300	6,500	64%	9%

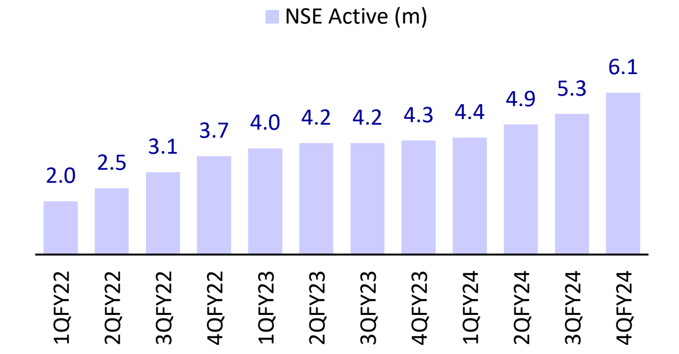
Key exhibits

Exhibit 1: Total clients continued to rise



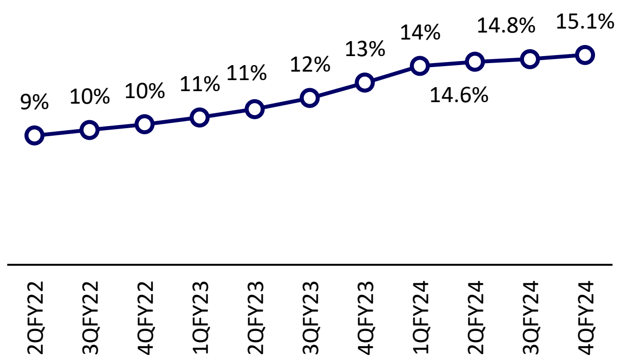
Source: MOFSL, Company

Exhibit 2: NSE active clients increased QoQ



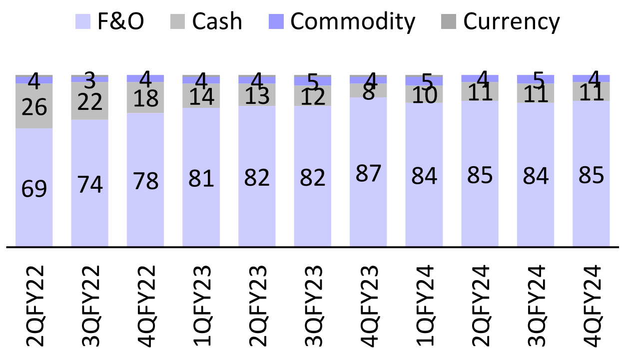
Source: MOFSL, Company

Exhibit 3: Market Share in NSE active clients continue to rise



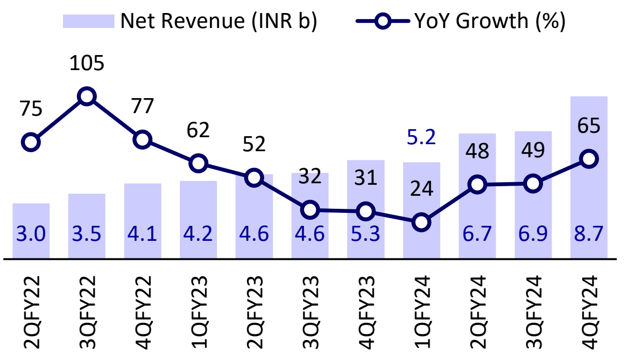
Source: MOFSL, Company

Exhibit 4: Gross broking revenue mix



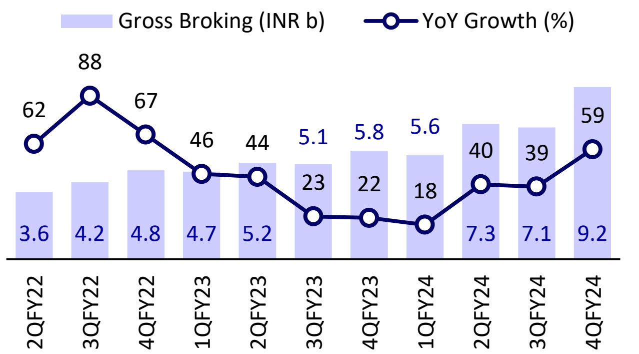
Source: MOFSL, Company

Exhibit 5: Net revenue improves YoY…



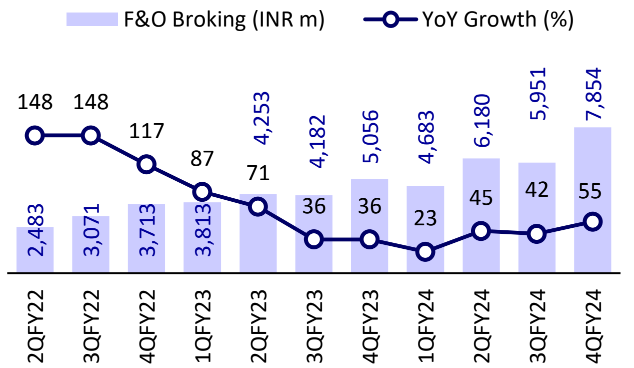
Source: MOFSL, Company

Exhibit 6: …as Gross broking revenue improves



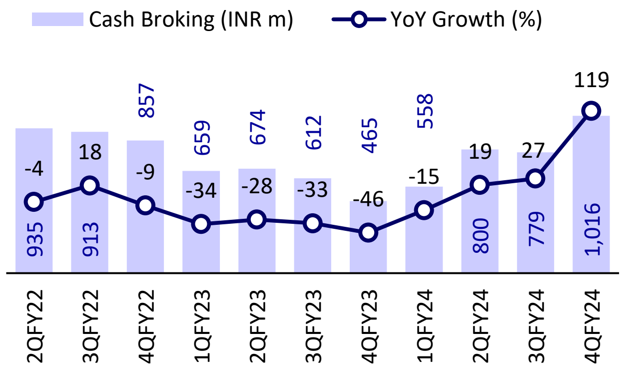
Source: MOFSL, Company

Exhibit 7: Strong revenue growth in F&O segment



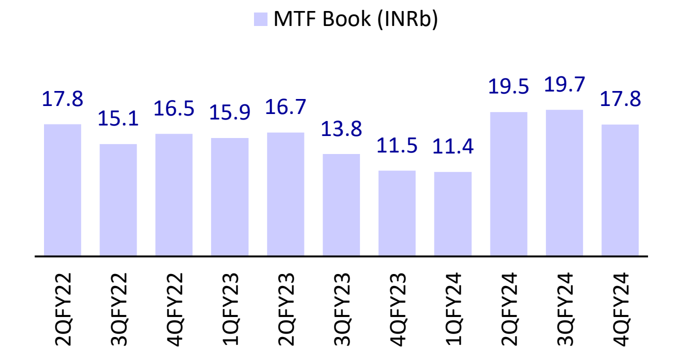
Source: MOFSL, Company

Exhibit 8: Revenue momentum in Cash broking continues



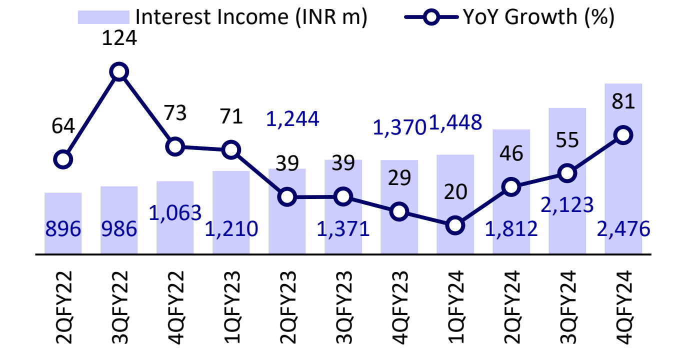
Source: MOFSL, Company

Exhibit 9: MTF book declined to INR17.8b



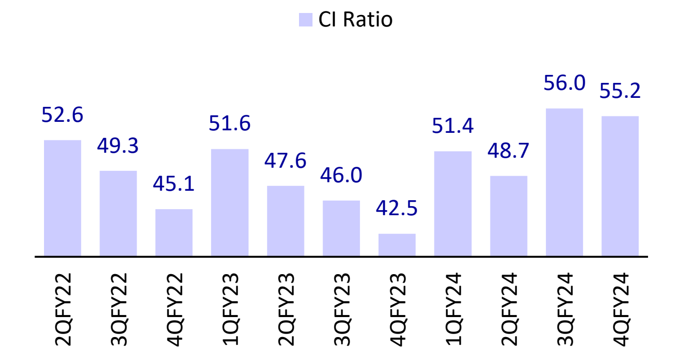
Source: MOFSL, Company

Exhibit 10: Interest income increases



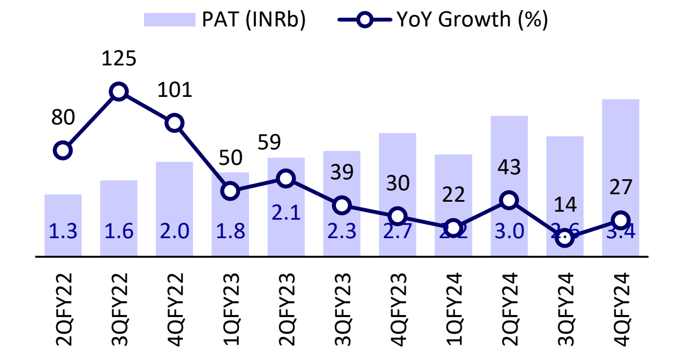
Source: MOFSL, Company

Exhibit 11: CI ratio marginally declines QoQ



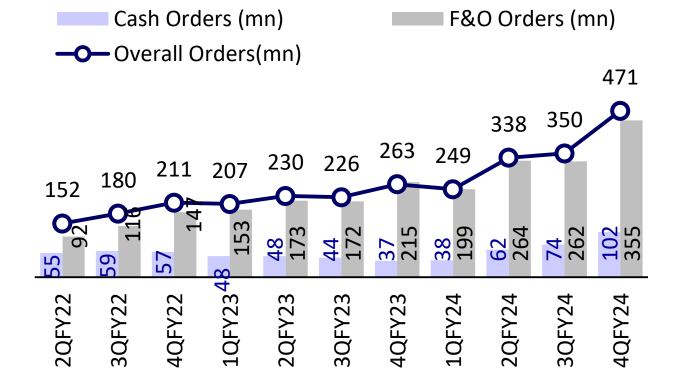
Source: MOFSL, Company

Exhibit 12: Trend in PAT growth



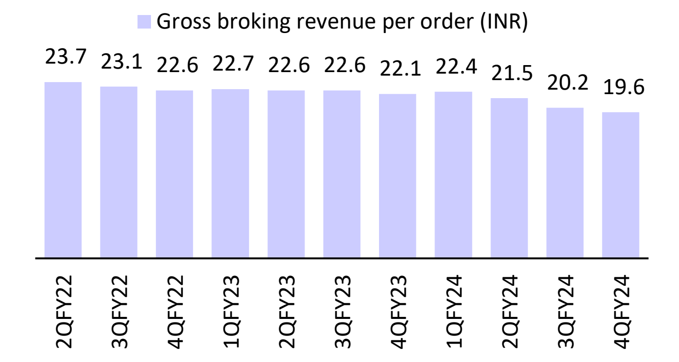
Source: MOFSL, Company

Exhibit 13: No. of orders increased…



Source: MOFSL, Company

Exhibit 14: …whereas gross broking revenue per order declines



Source: MOFSL, Company

Exhibit 15: Consistent Total Net Revenue From Every Cohort

		Actuals				
(₹ Mn)	Gross Acquisition (Mn)	FY20	FY21	FY22	FY23	FY24
Pre-FY20		3,589	3,358	3,606	3,439	3,681
FY20	0.6	1,116	2,066	1,801	1,743	1,894
FY21	2.4		3,472	6,455	5,760	6,037
FY22	5.3			4,885	8,233	8,483
FY23	4.7				3,728	7,081
FY24	8.8					6,156
Total Net Revenue		**4,705**	**8,896**	**16,747**	**22,902**	**33,331**
(-) Employee + Opex (Ex-Branding Spend)		3,205	4,436	7,951	10,479	16,817
Margin (Ex-Branding Spend)		**1,500**	**4,460**	**8,797**	**12,423**	**16,514**
Margin (Ex-Branding Spend)		*31.9%*	*50.1%*	*52.5%*	*54.2%*	*49.5%*
(-) Branding Spend		103	165	243	202	878
Operating Profit		**1,397**	**4,295**	**8,554**	**12,221**	**15,637**
Operating Profit Margin (%)		*29.7%*	*48.3%*	*51.1%*	*53.4%*	*46.9%*
Break-even (# of months)				5	7	7

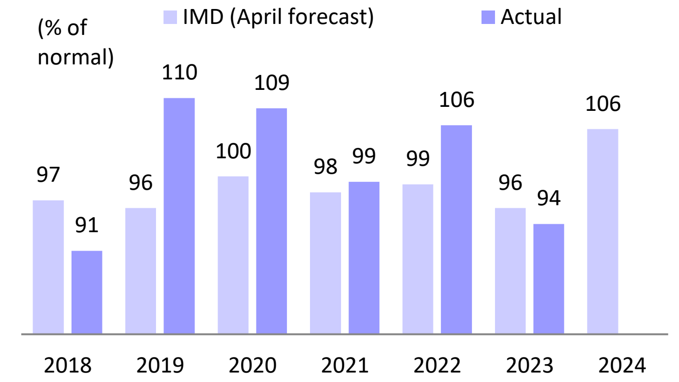
Source: MOFSL, Company

Monsoon update: IMD forecasts above-normal rainfall

Monsoon to be 106% of the LPA in 2024, highest in 8 years

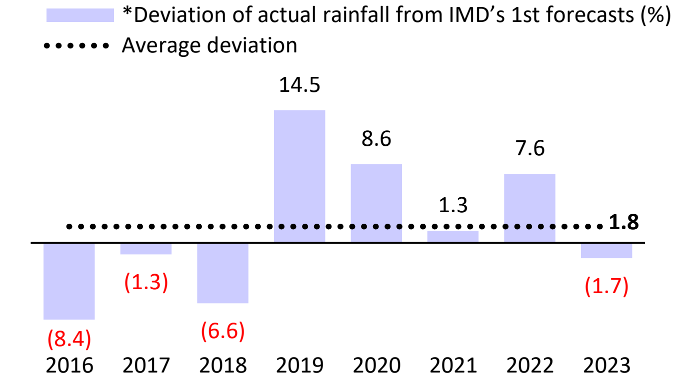
- **The IMD announced its stage-1 long-range forecast for southwest monsoon 2024. It expects rainfall in the upcoming monsoon to be at an 8-year high of 106% (with an error margin of +/-5%) of the long period average (LPA) of 870mm for the four-month period from Jun'24 to Sep'24. *(Exhibit 1)***
- **For the first time in a decade the IMD has predicted "above normal" rainfall at the first stage itself, nearly 45 days ahead of the beginning of the four-month monsoon season. It is usually more conservative with its predictions in the first stage.**
- **Private weather forecasting agency Skymet also predicted a normal monsoon between Jun'24 and Sep'24. Skymet expects rainfall to be at 102% of the LPA of 868.6mm for the upcoming season.**
- **The IMD stated, "El Nino is likely to weaken to a neutral stage during the early part of the monsoon season and La Nina conditions are likely to develop during the second half of the monsoon season." El Nino is associated with suppressed rainfall during the Indian monsoon, while La Nina is known to help rainfall activity.**
- **The IMD mentioned that in the 22 years since 1951 when La Nina conditions prevailed, monsoon rainfall was normal or above normal for 20 years — it was below normal in 1974 and 2000. There were nine years when La Nina conditions were preceded by El Nino conditions.**
- **Geographically, seasonal rainfall in the southwest monsoon is most likely to be above normal for most parts of the country, except for some areas of the northwest, east and northeast regions, where below-normal rainfall is most likely. Below-normal rainfall is expected in Himachal Pradesh and Uttarakhand.**
- **The actual rainfall during the past eight years has been either much higher or lower compared to the IMD's first predictions. The difference ranged from a shortfall of 8.4% in 2016 to an excess of 14.5% in 2019. On average, thus, the actual rainfall has been 1.8% higher than IMD's first projections. *(Exhibit 2)***
- **A normal monsoon forecast bodes well for the agrarian economy and inflation. Monsoon forecasts play a crucial role in influencing inflation rates, with normal rainfall favoring controlled inflation.**

IMD expects 2024 southwest monsoon at 106% of normal, highest in 8 years



Source: IMD, MOFSL

Actual rainfall has been 1.8% higher than IMD's first projections in the past eight years



* Actual rainfall – IMD 2nd forecast

Source: IMD, MOFSL

NTPC Green & NTPC Renewables: Looking at adding 7-10 GW Thermal capacity; Rajiv Gupta, CEO

- Operational capacity stands at 3.5GW, 17 GW in pipeline target to hit 60 GW capacity by 2032
- Intend to expand ammonia capacity to SGW by 2032
- Looking to bid for storage projects aggressively
- Looking at adding 7-10 GW Thermal capacity

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NLC India : Section 11 will not have any impact on NLC India; Prasanna K Motupalli, CMD

- Coal availability expected to be better this FY vs Last
- NLC is 6 GW co as of now, aim to increase it to 17 GW by 2030-11 GW thermal & 6 GW renewables
- 2.5 GW of renewable capacity is in the pipeline
- Targetting 100 MnMT coal & Lignite production by 2030

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- Profitability grew 2 times in past 2 years
- 27% YoY growth in housing finance business
- Credit, investment and insurance poised to grow 19% CAGR in 3-5 years
- Aims to have 30 mn customer for AB Fin in next 3 years

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- See huge potential for Captive use for Mahindra Group
- Economic Benefit accrued as cost delivered through captive units 20% lower than grid power

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Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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