

Expect robust growth traction across segments

- IIFL Wealth projected to post Q2 AUM/PAT growth of 15%/27% YoY on higher operating leverage, with stronger recurring flows
- SBI Card's spends expected to grow 55% YoY with 89% rise in PAT on higher income and lower credit costs
- SBI Life, our top pick, likely to post strong growth in premiums along with sustained margin gains

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Asset management: We expect IIFL Wealth to post AUM growth of 15% YoY in Q2FY23 boosted by fresh flows and mark-to-market gains. Recurring AUM is likely to constitute 60% of the mix (51% in the year-ago quarter). Revenue is forecast to grow 19% YoY aided by higher recurring (69% share) and non-recurring streams. We expect cost-to-income ratio at 45% with PAT growth of 27% YoY. Key monitorables include AUM growth and commentary on recurring business, especially IIFL One.

Credit cards: Monthly spends in July and August crossed the Rs 1tn mark which is positive. With the festival season kicking in from the last week of September, we expect robust spends going into Q3FY23 as well. SBI Card saw market share gains in August, and we estimate 55% YoY growth in spends for Q2, which will reflect in income from fees and services. Net receivables growth is forecast at 32% YoY. We believe NIM would take time to return to pre-Covid levels. Provisions are expected to be lower and we place credit cost at 6.5%, up ~70bps QoQ but sharply lower YoY which should boost PAT. Data on revolvers and credit cost would be key to watch.

Insurance: We have a positive stance on the life insurance industry and believe that the ongoing focus on profitable products would aid sustained margin gains for our coverage stocks (SBI Life, HDFC Life, IPRU) in Q2FY23. Gross premium growth is expected to be strong across the board on the back of stable market conditions as the pandemic ebbs. Cost ratios are likely to decline sequentially for all covered companies, and solvency ratios should hold in line with regulatory requirements. Market leader SBI Life (BUY, TP Rs 1,523) remains our top pick.

Recommendation snapshot

Ticker	Price	Target	Rating
HDFCLIFE IN	530	701	BUY
IIFLWAM IN	1,840	2,277	BUY
IPRU IN	526	645	BUY
SBICARD IN	914	1,227	BUY
SBILIFE IN	1,250	1,523	BUY

Price & Target in Rupees | Price as of 30 Sep 2022



Fig 1 – BOBCAPS NBFC universe: Q2FY23 estimates

Company	Q2FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Credit cards						
SBI Card						
Spends	6,75,196	4,35,610	5,96,710	55.0	13.2	
Loans	3,35,201	2,53,940	3,20,790	32.0	4.5	
NII	11,269	9,190	10,789	22.6	4.4	Expect 32% YoY loan growth which would positively impact NII, though NIM is expected to decline. Lower credit costs (YoY) will boost net profit. Data on spends and credit cost would be key monitorables.
NIM (%)	12.6	14.0	12.7	(142bps)	(11bps)	
PPOP	14,055	10,580	12,912	32.8	8.9	
Credit costs (%)	6.5	9.8	5.8	(331bps)	72bps	
PAT	6,526	3,449	6,269	89.2	4.1	
Asset management						
IIFL Wealth						
AUM	29,50,769	25,65,886	25,20,384	15.0	17.1	
Total revenue	4,323	3,620	3,691	19.4	17.1	Net profit forecast to grow 27% YoY led by 15% YoY AUM growth coupled with a lower cost-to-income ratio.
C/I (%)	45.0	48.0	45.4	(298bps)	(42bps)	
PAT	1,778	1,405	1,599	26.6	11.2	
Yield (Overall) (%)	0.56	0.55	0.59	1bps	(4bps)	
Life insurance						
SBI Life						
Gross Premium	1,82,833	1,47,187	1,13,491	24.2	61.1	Expect the market leader to have comparatively higher gross premium growth (+24% YoY) given steady business conditions in the country post pandemic. Growth in the protection business is expected to continue.
Total cost (%)	11.0	8.7	11.2	230bps	(24bps)	
Profit after tax (Shareholder)	3,075	2,466	2,629	24.7	17.0	
HDFC Life						
Gross Premium	1,42,798	1,16,309	93,961	22.8	52.0	Gross premium is projected to rise 23% YoY. Total cost is expected at 15.5%, lower than the previous year and previous quarter.
Total cost (%)	15.5	16.0	18.7	(52bps)	(327bps)	
Profit after tax (Shareholder)	3,599	2,742	3,653	31.3	(1.5)	
IPRU						
Gross Premium	1,09,451	95,332	72,647	14.8	50.7	Expect gross premium growth of 15% YoY with the company focusing on maintaining a favourable product mix.
Total cost (%)	13.6	12.5	16.9	113bps	(321bps)	
Profit after tax (Shareholder)	3,102	4,446	1,557	(30.2)	99.2	

Source: Company, BOBCAPS Research

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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