

# Financials – Non Lending

## Result Preview



### Company

Angel One

CAMS

ICICI Lombard

ICICI Securities

IIFL Wealth

Star Health

## Healthy momentum seen across cap markets, GI and MF

### Profitability improvement across coverage, led by scale benefits

- Capital market activity picked up momentum in 2QFY23 across most parameters (volumes, orders) except client addition. Volumes in F&O for both equities and commodities continue to surge, while cash volumes recovered. We expect all the companies under coverage to see a sequential uptick in revenues and profits.
- General Insurance industry saw growth momentum slowing down albeit previous quarters had the advantage of the base effect. Although the Health segment slowed down, it remained healthy at 14% YoY in Aug'22. The Motor segment too saw steady growth of 12% in Jul/Aug'22. Health claim ratios are likely to be elevated with monsoon-related ailments and sticky COVID-related consumables/tests. We expect both STARHEAL/ICICIGI to report growth in profits.
- MF AUM for the industry grew MoM in Jul/Aug on the back of SIP volumes and positive MTM, leading to increased share of equity in industry AUM. CAMS and IIFLWAM should see benefits from these trends.
- We remain excited about the long-term growth potential of the non-lending financials, given the broader themes of financialization and digitalization of savings. Our top picks in this space are ANGELONE, IIFLWAM, and STARHEAL.

### Incremental demat account addition slows down but volumes see a strong recovery in cash segment; F&O volumes continue to surge

The retail segment cash ADTO at NSE grew 9%/28%/5% MoM in Jul/Aug/Sep 2022. On the other hand, F&O volumes saw 1.5%/25%/ 11% MoM increase in Jul/Aug/Sep 2022. This was in spite of high volatility in markets on the back of global inflation concerns. Incremental demat account addition in Jul/Aug were at 1.5/2.6m vs average of 2.3/2.9m in 1QFY23/FY22. Although Aug 2022 saw a recovery in client addition for ANGELONE, the average numbers for 2QFY23 will still be lower than in FY22. However, the number of orders has remained healthy with per day orders at 3.6m in Aug 2022, a new high for the company. We expect a recovery in revenues and profitability for ANGELONE. For ISEC, we expect revenue growth to rebound on the back of recovery in cash volumes, seasonal uptick in life insurance distribution revenues and improvement in IB revenues.

### General Insurance sector sees healthy premium growth; health claim ratio remain elevated; opex to see benefits of scale

Overall GWP for the industry grew 16%/12% YoY in Jul/Aug'22, driven by 20%/14% YoY growth in the Health segment and 12%/12% growth in the Motor segment. For ICICIGI, the premium growth in Jul/Aug'22 was at 29%/21%, driven by Health segment growth of 39%/40%. Motor segment growth was muted at 2% each month. STARHEAL saw a growth of 9%/13%, driven by retail growth of 23%/25% as group health business declined 61%/56%. Health segment claim ratios are likely to sustain (vs expectation of decline) as monsoon-related ailments and sticky COVID-related consumables/tests keep the severity of claims higher. Opex ratios are expected to see benefits from operating leverage.

### Mutual funds AUM improves, led by SIP flows and positive MTM; IIFLWAM to see benefits of transition to ARR

MF industry AUM saw a MoM growth of 2%/5% in Jul/Aug'22, driven by SIP flows which were at INR127b for Aug'22 (a new high) and a positive MTM with Nifty yielding 12.5% return cumulatively for Jul and Aug. Resultantly, the share of equity in overall AUM for the industry was at 45% in Aug'22 up from 43% for 1QFY23. CAMS will be a clear beneficiary and will see improved revenues and profitability. IIFLWAM should see better traction in its ARR assets, driven by healthy MF distribution. Profitability improvement should continue, led by sustained benefits of transition to ARR.

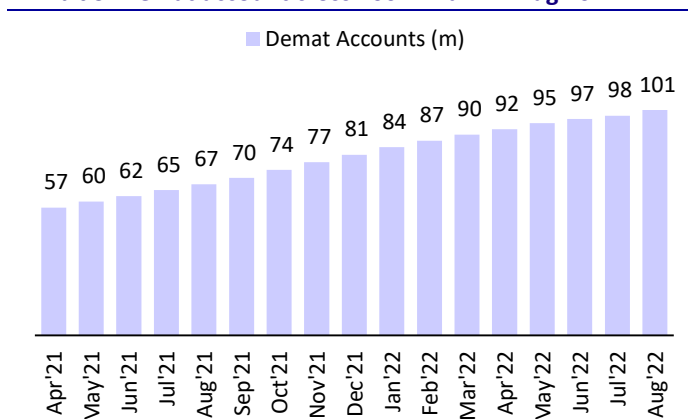
**Exhibit 1: Quarterly performance**

Sector	CMP (INR)	Rating	Revenue/NEP (INR m)			EBIDTA/PBT/UP (INR m)			Net profit (INR m)		
			Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)	Sep-22	Variance YoY (%)	Variance QoQ (%)
Angel One	1364	BUY	4,447	48.6	5.8	2,569	43.1	5.8	1,927	43.4	6.1
CAMS	2,475	BUY	2,478	8.9	4.7	1,117	5.6	14.1	757	4.3	17.1
ICICI Lombard	1,127	BUY	54,102	20.0	-2.2	-1,856	Loss	Loss	3,818	-14.5	9.4
ICICI Securities	512	BUY	8,225	-4.0	3.5	3,905	-17.1	6.4	2,929	-16.6	7.1
IIFL Wealth	1,877	BUY	3,848	22.4	2.6	2,131	50.8	2.4	1,795	25.1	14.2
Star Health	703	BUY	32,897	14.0	33.5	114	LP	-92.7	1,119	LP	-47.5
<b>Non Lending NBFC</b>			<b>2,59,590</b>	<b>15.6</b>	<b>3.9</b>	<b>1,98,495</b>	<b>15.2</b>	<b>3.2</b>	<b>1,41,163</b>	<b>29.0</b>	<b>11.5</b>

**Exhibit 2: Change in estimates**

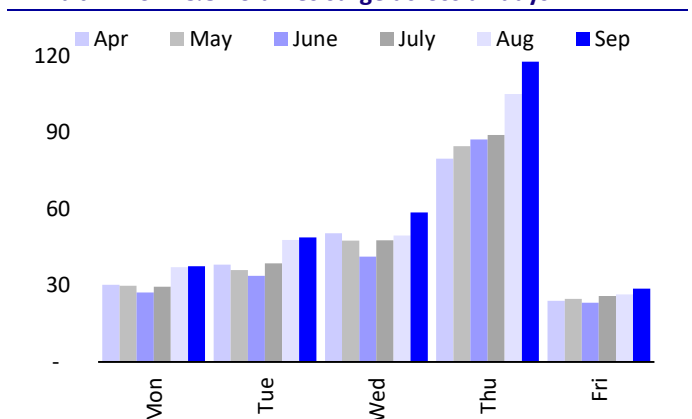
Company	Old estimates (INR )			New estimates (INR )			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Angel One	86.7	97.9	117.1	92.7	105.7	125.0	6.9	7.9	6.7
CAMS	63.1	75.8	89.0	63.3	75.7	88.9	0.4	-0.1	-0.1
ICICI Lombard	33.2	41.8	51.8	32.2	40.8	50.0	-3.0	-2.2	-3.5
ICICI Securities	34.7	37.7	NA	38.8	42.6	46.7	11.8	12.9	NA
IIFL Wealth	79.4	89.0	100.0	81.0	90.7	101.8	1.9	1.9	1.9
Star Health	12.0	18.7	24.3	11.8	18.2	23.4	-2.0	-2.8	-3.7

**Exhibit 3: Demat account cross 100m mark in Aug 2022**

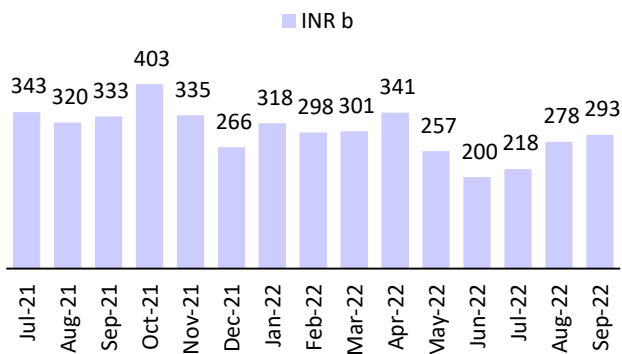


Source: NSDL, CDSL MOFSL

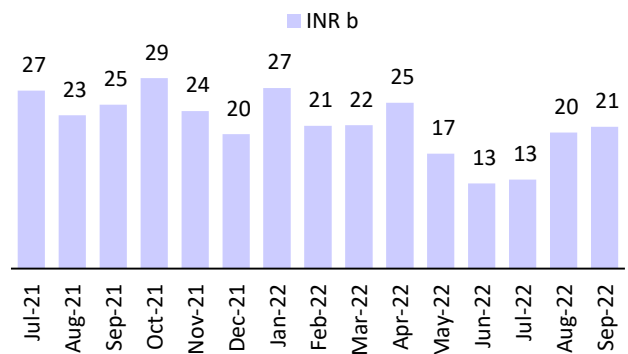
**Exhibit 4: NSE F&O volumes surge across all days**



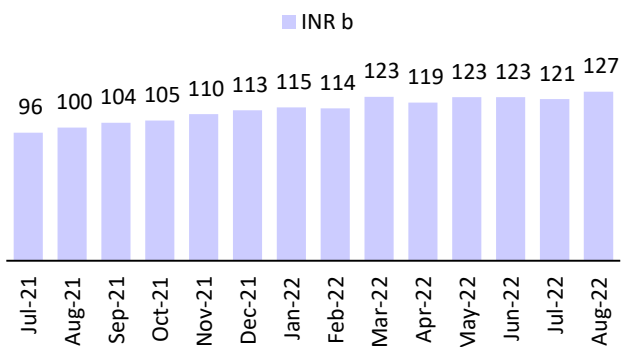
Source: NSE, MOFSL

**Exhibit 5: NSE Cash volumes recover from the low**

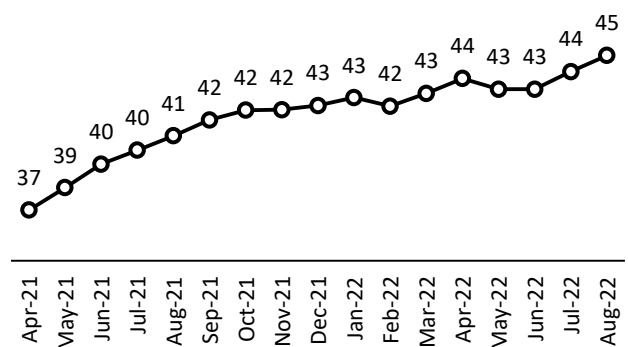
Source: NSE, MOFSL

**Exhibit 6: BSE Cash volumes recover from the low**

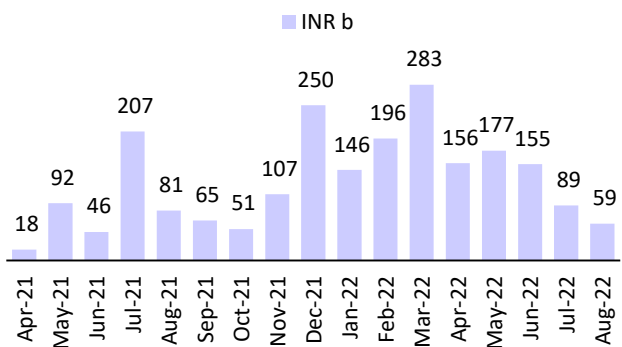
Source: BSE, MOFSL

**Exhibit 7: SIP flows remain strong**

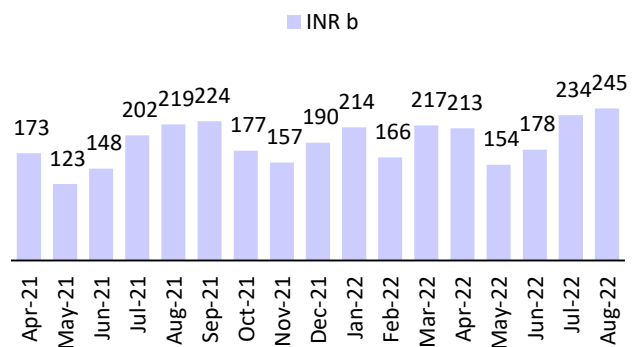
Source: AMFI, MOFSL

**Exhibit 8: Share of equities surge in MF AUM (%)**

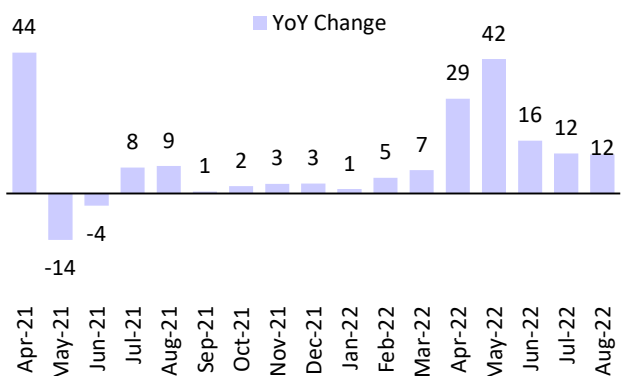
Source: MCX, MOFSL

**Exhibit 9: Net equity flows decline because of redemptions**

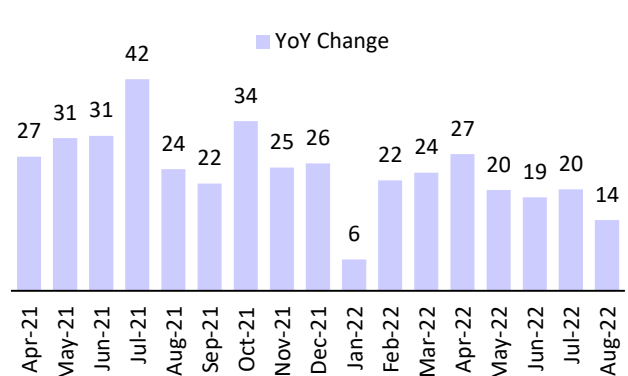
Source: AMFI, MOFSL

**Exhibit 10: Strong recovery seen in Gen Insurance premium**

Source: GIC, MOFSL

**Exhibit 11: Motor premium growth remains healthy (%)**

Source: GIC, MOFSL

**Exhibit 12: Health segment growth declines (%)**

Source: GIC, MOFSL

The tables below provide a snapshot of actual and estimated numbers for companies under the MOFSL coverage universe. Highlighted columns indicate the quarter/financial year under review.

## Angel One

**Buy**
**CMP INR1,364 | TP: INR2,100 (54%)**
**EPS CHANGE (%): FY23|24: 6.9|7.9**

- With continued growth momentum in F&O ADTO, Angel's revenue growth to remain strong YoY.
- Although gross customer acquisition run rate saw flattish to positive trends, activation rate dipped.
- Interest income is expected to be lower, led by subdued MTF book and higher interest costs.
- Cost-to-income ratio is expected to be flat QoQ but improve on a YoY basis.

### Quarterly Performance

**(INR m)**

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	2,600	2,992	3,512	4,064	4,203	4,447	4,466	4,472	13,167	17,588
Other Income	807	888	936	1,031	948	1,030	1,086	1,098	3,662	4,162
<b>Total Income</b>	<b>3,407</b>	<b>3,880</b>	<b>4,448</b>	<b>5,095</b>	<b>5,151</b>	<b>5,477</b>	<b>5,552</b>	<b>5,570</b>	<b>16,829</b>	<b>21,750</b>
Change YoY (%)	110.4	83.3	100.5	68.9	51.2	41.2	24.8	9.3	87.6	29.2
Operating Expenses	1,744	2,040	2,191	2,298	2,660	2,842	2,881	2,861	8,273	11,245
Change YoY (%)	88.9	89.9	94.6	48.0	52.5	39.3	31.5	24.5	76.9	35.9
Depreciation	41.0	45.3	48.3	52.3	64.5	65.5	66.5	67.5	186.8	264.0
<b>PBT</b>	<b>1,622</b>	<b>1,795</b>	<b>2,209</b>	<b>2,744</b>	<b>2,427</b>	<b>2,569</b>	<b>2,604</b>	<b>2,641</b>	<b>8,369</b>	<b>10,241</b>
Change YoY (%)	151.1	80.1	111.2	92.8	49.6	43.1	17.9	-3.7	103.5	22.4
Tax Provisions	408	451	562	696	611	642	651	656	2,117	2,560
<b>Net Profit</b>	<b>1,214</b>	<b>1,343</b>	<b>1,647</b>	<b>2,048</b>	<b>1,816</b>	<b>1,927</b>	<b>1,953</b>	<b>1,985</b>	<b>6,253</b>	<b>7,681</b>
Change YoY (%)	151.8	80.2	124.7	101.0	49.6	43.4	18.6	-3.1	109.7	22.8

## CAMS

**Buy**
**CMP INR2,475 | TP: INR3,000 (+21%)**
**EPS CHANGE (%): FY23|24: 0|0**

- Positive MTM and inflows in the industry are expected to drive AUM growth for CAMS
- Higher share of equities should be beneficial for the yields
- Profitability should improve sequentially, led by scale benefits and favorable AUM mix
- Commentary on new business segments such as insurance repository and account aggregator will be vital

### Quarterly Performance

**(INR m)**

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	2,012	2,276	2,377	2,432	2,366	2,478	2,572	2,706	9,097	10,123
Change YoY (%)	35.4	33.0	27.8	21.7	17.6	8.9	8.2	11.3	28.9	11.3
Employee expenses	724	809	832	853	933	895	913	959	3,218	3,700
Operating expenses	192	221	228	274	267	273	278	286	905	1,104
Other Expenses	167	189	184	183	188	193	199	197	733	777
Total Operating Expenses	1,083	1,218	1,244	1,310	1,388	1,361	1,390	1,442	4,855	5,581
Change YoY (%)	11.4	25.2	19.6	18.3	28.2	11.7	11.8	10.1	18.6	14.9
<b>EBITDA</b>	<b>929</b>	<b>1,057</b>	<b>1,133</b>	<b>1,122</b>	<b>979</b>	<b>1,117</b>	<b>1,182</b>	<b>1,264</b>	<b>4,241</b>	<b>4,542</b>
Other Income	45	44	41	43	44	50	60	64	173	219
Depreciation	106	119	134	157	136	140	140	143	516	560
Finance Cost	18	18	18	18	18	18	18	18	71	71
<b>PBT</b>	<b>850</b>	<b>965</b>	<b>1,023</b>	<b>989</b>	<b>869</b>	<b>1,009</b>	<b>1,084</b>	<b>1,167</b>	<b>3,827</b>	<b>4,129</b>
Change YoY (%)	63.5	45.9	35.2	22.3	2.3	4.6	6.1	17.9	39.4	7.9
Tax Provisions	217	239	249	251	223	252	271	286	957	1,032
<b>Net Profit</b>	<b>633</b>	<b>726</b>	<b>773</b>	<b>738</b>	<b>646</b>	<b>757</b>	<b>813</b>	<b>880</b>	<b>2,870</b>	<b>3,097</b>
Change YoY (%)	58.6	48.2	37.0	22.7	2.2	4.3	5.2	19.2	39.8	7.9

## ICICI Lombard

Buy

CMP INR1,127 | TP: INR1,430 (+27%)

EPS CHANGE (%): FY23 | 24: -3 | -2

- Premium growth to be strong, driven by health (more so Group segment) and Motor TP
- Integration of Bharti Axa and increasing investments in the retail health channel will be key
- Claim ratios to moderate sequentially while expense ratio to be flattish
- Combined ratio to be in the guided range of 103-104%

## Quarterly Performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net earned premium	31,521	32,503	33,119	33,178	34,682	39,678	42,860	40,393	1,30,321	1,57,614
<b>Total Income</b>	<b>38,312</b>	<b>38,082</b>	<b>38,541</b>	<b>46,363</b>	<b>39,783</b>	<b>45,218</b>	<b>48,617</b>	<b>46,428</b>	<b>1,61,299</b>	<b>1,80,145</b>
Change YoY (%)	40.4	32.1	26.0	32.9	3.8	18.7	26.1	0.1	32.6	11.7
Incurred claims	28,192	22,699	23,035	23,893	24,999	28,172	30,002	28,776	97,819	1,11,949
Total Operating Expenses	37,771	33,510	35,811	36,268	36,615	41,535	44,437	42,720	1,43,359	1,65,307
<b>Underwriting profit</b>	<b>-6,249</b>	<b>-1,007</b>	<b>-2,692</b>	<b>-3,090</b>	<b>-1,933</b>	<b>-1,856</b>	<b>-1,577</b>	<b>-2,327</b>	<b>-13,038</b>	<b>-7,693</b>
<b>PBT</b>	<b>2,583</b>	<b>5,939</b>	<b>4,209</b>	<b>4,104</b>	<b>4,651</b>	<b>5,091</b>	<b>5,747</b>	<b>5,508</b>	<b>16,835</b>	<b>21,096</b>
Tax Provisions	640	1,472	1,034	979	1,161	1,273	1,437	1,404	4,125	5,274
<b>Net Profit</b>	<b>1,943</b>	<b>4,467</b>	<b>3,175</b>	<b>3,125</b>	<b>3,490</b>	<b>3,818</b>	<b>4,310</b>	<b>4,104</b>	<b>12,710</b>	<b>15,822</b>
Change YoY (%)	-51.2	7.4	1.3	-9.6	79.6	-14.5	35.7	31.3	-13.7	24.5
<b>Key Parameters (%)</b>										
Claims ratio	89.4	69.8	69.6	72.0	72.1	71.0	70.0	71.2	75.1	71.0
Expense ratio	29.6	30.7	29.4	27.1	29.9	29.0	28.5	29.2	29.1	29.1
Combined ratio	123.5	105.3	104.5	103.2	104.1	103.5	102.5	104.4	108.8	103.6

## ICICI Securities

Buy

CMP INR512 | TP: INR640 (25%)

EPS CHANGE (%): FY23 | 24: 12 | 13

- Broking revenue to improve, led by recovery in Cash volumes and sustained increase in F&O volumes.
- Distribution income to improve sequentially; life insurance segment gains from a seasonally low base in 1Q.
- Investment banking revenue is expected to improve to as advisory segment saw a pick up.
- Cost-to-income ratio is expected to see moderation.

## Quarterly Performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from Operations	7,453	8,564	9,416	8,917	7,935	8,213	8,501	9,766	34,350	34,416
Other Income	24	2	3	6	12	12	12	14	35	50
<b>Total Income</b>	<b>7,477</b>	<b>8,566</b>	<b>9,419</b>	<b>8,923</b>	<b>7,948</b>	<b>8,225</b>	<b>8,513</b>	<b>9,780</b>	<b>34,385</b>	<b>34,466</b>
Change YoY (%)	36.8	25.9	51.9	20.7	6.3	-4.0	-9.6	9.6	33.0	0.2
Operating Expenses	3,310	3,856	4,321	4,369	4,277	4,320	4,363	4,796	15,856	17,755
Change YoY (%)	15.3	25.1	64.8	46.6	29.2	12.0	1.0	9.8	37.2	12.0
<b>PBT</b>	<b>4,167</b>	<b>4,709</b>	<b>5,099</b>	<b>4,554</b>	<b>3,671</b>	<b>3,905</b>	<b>4,150</b>	<b>4,985</b>	<b>18,529</b>	<b>16,710</b>
Change YoY (%)	60.6	26.5	42.5	3.2	-11.9	-17.1	-18.6	9.5	29.5	-9.8
Tax Provisions	1,060	1,197	1,295	1,149	934	976	1,037	1,229	4,700	4,178
<b>Net Profit</b>	<b>3,107</b>	<b>3,512</b>	<b>3,804</b>	<b>3,405</b>	<b>2,736</b>	<b>2,929</b>	<b>3,112</b>	<b>3,755</b>	<b>13,828</b>	<b>12,533</b>
Change YoY (%)	60.9	26.3	42.5	3.3	-11.9	-16.6	-18.2	10.3	29.5	-9.4

**IIFL Wealth & Asset Management****Buy****CMP INR1,877 | | TP: INR2,300 (+23%)****EPS CHANGE (%): FY23|24: 2.0|2.0**

- Revenue to see a sequential increase, led by strength in the ARR income, which was driven by MTM gains and sustained inflows.
- Overall yields likely to remain steady as we expect the product mix to be steady QoQ
- Cost-to-income ratio is expected to improve, led by scale benefits as employee expense remains stable.
- Outlook on the new business ventures in terms of mass affluent segment and entry into new geographies will be keenly watched

**Quarterly performance****(INR m)**

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Net Revenues</b>	<b>2,834</b>	<b>3,143</b>	<b>3,781</b>	<b>4,228</b>	<b>3,750</b>	<b>3,848</b>	<b>3,971</b>	<b>4,207</b>	<b>13,987</b>	<b>15,776</b>
Change (%)	42.6	48.3	58.1	59.2	32.3	22.4	5.0	-0.5	52.8	12.8
ARR Assets Income	1,936	2,222	2,451	2,524	2,560	2,765	2,986	3,242	9,133	11,552
TBR Assets Income	898	921	1,330	1,704	1,190	1,083	985	965	4,854	4,223
<b>Operating Expenses</b>	<b>1,531</b>	<b>1,730</b>	<b>2,220</b>	<b>2,350</b>	<b>1,670</b>	<b>1,717</b>	<b>1,822</b>	<b>1,841</b>	<b>7,831</b>	<b>7,050</b>
Change (%)	17.8	29.2	46.2	54.3	9.1	-0.8	-17.9	-21.7	37.9	-10.0
Cost to Income Ratio (%)	54.0	55.0	58.7	55.6	44.5	44.6	45.9	43.8	56.0	44.7
<b>Operating Profits</b>	<b>1,304</b>	<b>1,413</b>	<b>1,561</b>	<b>1,878</b>	<b>2,080</b>	<b>2,131</b>	<b>2,149</b>	<b>2,366</b>	<b>6,156</b>	<b>8,726</b>
Change (%)	89.3	80.9	78.8	65.8	59.5	50.8	37.7	26.0	77.2	41.7
Other Income	206	480	420	265	-60	200	225	235	1,371	600
<b>Profit Before Tax</b>	<b>1,510</b>	<b>1,893</b>	<b>1,981</b>	<b>2,143</b>	<b>2,020</b>	<b>2,331</b>	<b>2,374</b>	<b>2,601</b>	<b>7,527</b>	<b>9,326</b>
Change (%)	38.1	67.8	54.9	59.0	33.8	23.1	19.8	21.3	55.2	23.9
Tax	341	458	449	487	449	536	546	614	1,735	2,145
Tax Rate (%)	22.6	24.2	22.7	22.7	22.2	23.0	23.0	23.6	23.1	23.0
<b>PAT</b>	<b>1,169</b>	<b>1,435</b>	<b>1,532</b>	<b>1,657</b>	<b>1,571</b>	<b>1,795</b>	<b>1,828</b>	<b>1,987</b>	<b>5,792</b>	<b>7,181</b>
Change (%)	42.0	64.6	58.8	60.3	34.5	25.1	19.3	19.9	56.9	24.0
PAT Margins (%)	41.2	45.6	40.5	39.2	41.9	46.6	46.0	47.2	41.4	45.5

**Star Health****Buy****CMP INR703 | TP: INR830 (18%)****EPS CHANGE (%):FY23|24: 0|0**

- Retail health premium growth expected to be strong at 20%+; while Group health segment to see decline
- Expense ratio to decline both on a YoY as well as QoQ basis
- Claims ratio to remain stable as high monsoon-related claims impact performance.
- Combined ratio to taper down materially, on both YoY and QoQ basis.

**Quarterly Performance****(INR m)**

Y/E March	FY22				FY23E				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net earned premium	22,430	24,167	25,283	26,212	26,871	27,791	26,529	31,665	98,092	1,12,876
<b>Total Income</b>	<b>23,301</b>	<b>25,138</b>	<b>26,184</b>	<b>27,404</b>	<b>28,090</b>	<b>29,084</b>	<b>27,899</b>	<b>33,357</b>	<b>1,02,887</b>	<b>1,18,451</b>
Change YoY (%)	109.2	62.6	78.3	266.1	20.6	15.7	6.6	21.7	111.0	15.1
Incurred claims	20,415	20,696	26,442	17,848	17,811	18,342	16,979	20,217	85,401	73,348
Total Operating Expenses	26,590	29,326	34,407	28,384	25,303	27,677	26,033	31,728	1,18,707	1,10,740
<b>Underwriting profit</b>	<b>-4,160</b>	<b>-5,159</b>	<b>-9,124</b>	<b>-2,172</b>	<b>1,568</b>	<b>114</b>	<b>496</b>	<b>-62</b>	<b>-20,615</b>	<b>2,136</b>
<b>PBT</b>	<b>-2,805</b>	<b>-2,325</b>	<b>-7,682</b>	<b>-1,158</b>	<b>2,880</b>	<b>1,492</b>	<b>2,232</b>	<b>2,409</b>	<b>-13,966</b>	<b>9,017</b>
Tax Provisions	-705	-618	-1,899	-337	747	373	558	576	-3,559	2,254
<b>Net Profit</b>	<b>-2,100</b>	<b>-1,706</b>	<b>-5,783</b>	<b>-820</b>	<b>2,132</b>	<b>1,119</b>	<b>1,674</b>	<b>1,833</b>	<b>-10,407</b>	<b>6,763</b>
Claims ratio	91.0	85.6	104.6	68.1	66.3	66.0	64.0	63.8	87.1	65.0
Expense ratio	17.1	18.4	17.1	15.7	18.2	16.1	15.9	13.8	17.0	15.7
Combined ratio	121.1	117.3	135.7	98.4	98.2	95.6	93.4	91.0	117.9	94.1



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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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