FIRST LIGHT

25 October 2023

RESEARCH

ICICI BANK | TARGET: Rs 1,090 | +17% | BUY

Sustained outperformance; raise to BUY

AMBER ENTERPRISES | TARGET: Rs 2,900 | +4% | HOLD

Healthy topline; RAC outlook still soft

HINDUSTAN UNILEVER | TARGET: Rs 3,069 | +24% | BUY

Soft topline but strong margin expansion

SUMMARY

ICICI BANK

- Q2 NII grew 24% YoY despite higher deposit cost, while dividends from subsidiaries offset absence of treasury gains
- Reported NIM dipped 25bps QoQ (FY24 guidance intact at 4.5%); credit cost at 22bps beat our estimate
- Sustained outperformance across metrics; raise from HOLD to BUY with a new TP of Rs 1,090 (vs. Rs 1,015)

Click here **for the full report.**

AMBER ENTERPRISES

- Q2 topline up 23% YoY with better margins due to dry weather in an otherwise unseasonal quarter for cooling products
- Strong mobility orders and new customers in electronics business offer scope for growth, but core RAC outlook still muted
- FY24/FY25 EPS raised 3%/7% and target P/E raised to 29x (vs. 27x), leading to a new TP of Rs 2,900 (vs. Rs 2,500); retain HOLD

Click here **for the full report.**

Daily macro indicators

Indicator	19-Oct	20-Oct	Chg (%)
US 10Y yield (%)	4.99	4.91	(8bps)
India 10Y yield (%)	7.37	7.36	(1bps)
USD/INR	83.24	83.12	0.1
Brent Crude (US$/bbl)	92.4	92.2	(0.2)
Dow	33,414	33,127	(0.9)
Hang Seng	17,296	17,172	(0.7)
Sensex	65,629	65,398	(0.4)
India FII (US$ mn)	**18-Oct**	**19-Oct**	**Chg ($ mn)**
FII-D	46.8	(1.9)	(48.7)
FII-E	(239.0)	(114.3)	124.7

Source: Bank of Baroda Economics Research

BOBCAPS Research
research@bobcaps.in

HINDUSTAN UNILEVER

- Q2 volume and value growth weak YoY owing to delayed rural recovery and heightened competition from regional players
- EBITDA margin improved 130bps YoY despite 420bps expansion in A&P spend
- Focus remains on innovation and category development; maintain BUY with an unchanged TP of Rs 3,069

Click here for the full report.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,090 | ⮝ 17%

ICICI BANK | Banking | 23 October 2023

Sustained outperformance; raise to BUY

- **Q2 NII grew 24% YoY despite higher deposit cost, while dividends from subsidiaries offset absence of treasury gains**
- **Reported NIM dipped 25bps QoQ (FY24 guidance intact at 4.5%); credit cost at 22bps beat our estimate**
- **Sustained outperformance across metrics; raise from HOLD to BUY with a new TP of Rs 1,090 (vs. Rs 1,015)**

Ajit Agrawal
research@bobcaps.in

Broad-based growth: ICICIBC's Q2FY24 loans rose 18.3% YoY (+5% QoQ) backed by SME (+29% YoY), business banking (+30%) and retail (+21%) business. The corporate book lent support, rising 15% YoY. Within retail, personal loans (+40% YoY), credit cards (+30%) and auto (+24%) saw traction while the home (+16%), commercial vehicle (+12%) and rural (+17%) segments were subdued. Deposit growth held strong at 18.8% YoY (+4.5% QoQ) led by term deposits (+32% YoY/+9% QoQ), inducing a 255bps QoQ drop in CASA ratio. We broadly retain our loan growth estimates while raising deposit growth to 19%/17% from 15%/16% for FY24/FY25.

NII rises 24% YoY: NII grew 24% YoY (flat QoQ) despite an increased cost of deposits. Though NIM dipped 25bps QoQ to 4.5%, management maintained its full-year guidance at 4.5% as it expects a better performance from the high-yield retail book. Other income grew 6.3% QoQ supported by higher dividends from subsidiaries that offset the absence of treasury gains in Q2.

Lower provisions buoy PAT: Higher opex led to a 67bps QoQ increase in C/I ratio to 41%. The bank posted PPOP growth of 22% YoY (flat QoQ) and PAT growth of 36% YoY (+6% QoQ) as controlled slippages and higher upgrades lowered provisions, bringing credit cost down to 22bps from 73bps in Q2FY23 and 51bps in Q1FY24. We lower our FY24/FY25 credit cost estimate to 42bps/54bps from 69bps each.

Stable asset quality: The absence of agriculture loan slippages and improved upgrades and recoveries led to lower credit cost and helped GNPA/NPPA improve sequentially to 2.5%/0.4% from 2.8%/0.5% in Q1 with PCR of 83%, flat QoQ. Total provisions stood at 2.2% of loans and the bank sees no major asset quality concerns.

Upgrade to BUY: After the recent price correction, the stock is trading at 2.3x FY25E P/ABV. We have a revised SOTP-based TP of Rs 1,090 (vs. Rs 1,015), which is now set at 2.8x FY25E ABV (vs. 2.7x) using the Gordon Growth Model, with subsidiaries valued at Rs 174/sh. The bank's continued outperformance across metrics over the past 3-4 quarters is likely to fetch a valuation premium and hence we upgrade our rating from HOLD to BUY.

Key changes

Target	Rating
▲	▲

Ticker/Price	ICICIBC IN/Rs 930
Market cap	US$ 79.0bn
Free float	100%
3M ADV	US$ 186.8mn
52wk high/low	Rs 1,009/Rs 796
Promoter/FPI/DII	0%/44%/45%

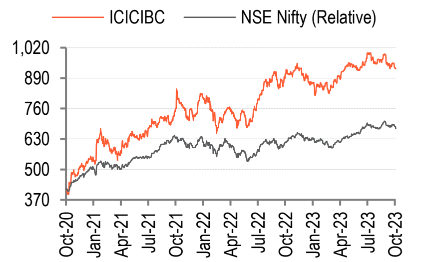
Source: NSE | Price as of 23 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	62,129	71,825	85,143
NII growth (%)	30.9	15.6	18.5
Adj. net profit (Rs mn)	31,897	38,231	43,132
EPS (Rs)	45.8	54.7	61.8
Consensus EPS (Rs)	45.8	55.2	61.0
P/E (x)	20.3	17.0	15.1
P/BV (x)	3.2	2.8	2.4
ROA (%)	2.1	2.2	2.2
ROE (%)	17.2	17.7	17.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,900 | ▲ 4%

AMBER ENTERPRISES | Consumer Durables | 23 October 2023

Healthy topline; RAC outlook still soft

- **Q2 topline up 23% YoY with better margins due to dry weather in an otherwise unseasonal quarter for cooling products**
- **Strong mobility orders and new customers in electronics business offer scope for growth, but core RAC outlook still muted**
- **FY24/FY25 EPS raised 3%/7% and target P/E raised to 29x (vs. 27x), leading to a new TP of Rs 2,900 (vs. Rs 2,500); retain HOLD**

Vinod Chari | Arshia Khosla
Swati Jhunjhunwala
research@bobcaps.in

Dry weather aids topline growth: Amber saw healthy topline growth of 23% YoY to Rs 9.3bn due to dry weather in most parts of India during Q2FY24, which is otherwise an unseasonal quarter for cooling products. EBITDA increased 62% YoY with 150bps margin expansion to 6.4% owing to a favorable change in product mix as the contribution of components increased. The company, however, reported a loss of Rs 57mn for the quarter due to high interest costs and depreciation.

Growth across segments: The consumer durables business improved 35% YoY to Rs 5.5bn during Q2, while electronics and mobility revenue at Rs 2.5bn and Rs 1.3bn grew by 3% and 26% respectively. Management expects the electronics and mobility businesses to grow rapidly amid burgeoning business opportunities.

Large opportunity in PCBAs: Amber is entering wearable and hearable telecom products through its joint venture with smart wearable brand Noise. The company also sees an opportunity to capture printed circuit board assembly (PCBA) demand in India for non-smartphone applications which is currently met by imports. Management has maintained its EBITDA growth guidance of 30-35% for the electronics division in FY24 and continues to expect above-market growth in the room air conditioning (RAC) business.

Customer addition to boost RAC components business: Given the large industry size for RAC components (estimated at Rs 165bn-170bn in FY23) and Amber's backward integration plans, management expects ongoing customer additions to spur growth.

Retain HOLD: We raise our FY24/FY25 EPS estimates by 3%/7% to incorporate the Q2 performance and bake in the improved outlook for Amber's non-AC business by valuing the stock at a new 29x P/E multiple (27x earlier) – a 30% discount to the 3Y average. Upon rolling valuations over to Sep'25E, we arrive at a revised TP of Rs 2,900 (vs. Rs 2,500). Given the soft RAC outlook – we estimate single-digit industry volume growth in FY24 – and limited upside potential following the runup in Amber's stock price, we continue with our HOLD rating.

Key changes

Target	Rating
▲	◄►

Ticker/Price	AMBER IN/Rs 2,794
Market cap	US$ 1.1bn
Free float	60%
3M ADV	US$ 7.2mn
52wk high/low	Rs 3,150/Rs 1,763
Promoter/FPI/DII	40%/24%/14%

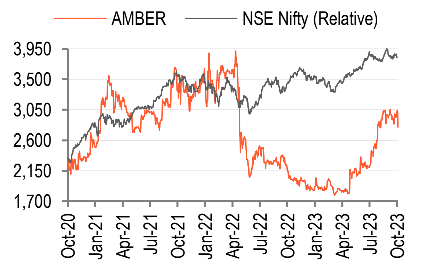
Source: NSE | Price as of 23 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	69,271	85,232	1,01,221
EBITDA (Rs mn)	4,179	5,258	6,596
Adj. net profit (Rs mn)	1,572	2,097	3,011
Adj. EPS (Rs)	46.7	62.3	89.4
Consensus EPS (Rs)	46.7	62.0	90.0
Adj. ROAE (%)	8.6	10.4	13.3
Adj. P/E (x)	59.9	44.9	31.3
EV/EBITDA (x)	22.5	17.9	14.3
Adj. EPS growth (%)	44.0	33.4	43.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BUY
TP: Rs 3,069 | ▲ 24%

HINDUSTAN UNILEVER | Consumer Staples | 23 October 2023

Soft topline but strong margin expansion

- **Q2 volume and value growth weak YoY owing to delayed rural recovery and heightened competition from regional players**
- **EBITDA margin improved 130bps YoY despite 420bps expansion in A&P spend**
- **Focus remains on innovation and category development; maintain BUY with an unchanged TP of Rs 3,069**

Vikrant Kashyap
research@bobcaps.in

Volume growth remains soft: HUVR's Q2FY24 revenue grew 3.2% YoY (+0.8% QoQ) with underlying volume growth of 2% YoY vs. ~3% estimated. Volumes were constrained by heightened competition from regional players and delayed recovery in rural markets. The company continued to gain volume market share in more than 75% of its portfolio and value market share in 60% of its portfolio. EBITDA margin expanded 130bps YoY (+60bps QoQ) despite a sharp increase in brand investments during the quarter, with A&P spend stepped up by 420bps YoY.

Modest growth in key categories: In Q2, HUVR's home care (HC), beauty & personal care (BPC), and foods & refreshment (F&R) segment revenues grew 3%, 4% and 4% YoY respectively. HC and BPC delivered mid-single-digit volume growth; however, F&R saw a mid-single-digit decline largely due to sustained inflation in coffee and health food drinks (HFD). The company cut prices in fabric wash and household care to pass on the benefits of lower cost inflation to customers but took judicious hikes in the F&R segment due to food inflation.

Innovation remains a focus area: HUVR continues to strengthen its core portfolio by launching new products across segments. In HC, the company rolled out *Comfort Intense* fabric conditioner and *Vim Pure*. In skin care, HUVR strengthened its *Pond's* moisturiser range and also introduced a new range of *Indulekha* anti-dandruff hair oil and shampoo during the quarter. In food & beverages, the company launched the *Horlicks Plus* range with two new variants in select geographies and channels.

Maintain BUY, TP Rs 3,069: HUVR's volume and value growth remained weak in a challenging environment, but the company continues to drive category development, innovation and premiumisation across product categories. We expect mid-single-digit volume growth in the medium term with gradual improvement in margins. The stock is trading at 49.3x/42.5x FY24E/FY25E EPS. We maintain BUY and continue to value the stock at 52.5x FY25E EPS, in line with the long-term mean, for an unchanged TP of Rs 3,069.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	HUVR IN/Rs 2,484
Market cap	US$ 71.0bn
Free float	38%
3M ADV	US$ 45.8mn
52wk high/low	Rs 2,770/Rs 2,393
Promoter/FPI/DII	62%/14%/24%

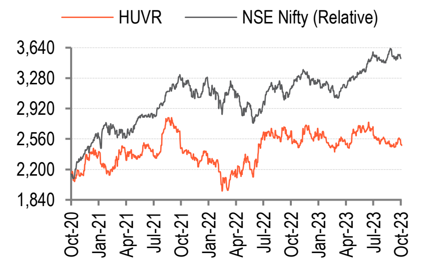
Source: NSE | Price as of 23 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	605,800	641,512	710,474
EBITDA (Rs mn)	141,490	166,730	193,320
Adj. net profit (Rs mn)	101,600	118,302	137,386
Adj. EPS (Rs)	43.2	50.3	58.5
Consensus EPS (Rs)	43.2	50.1	56.9
Adj. ROAE (%)	20.4	23.1	26.2
Adj. P/E (x)	57.4	49.3	42.5
EV/EBITDA (x)	41.2	35.0	30.2
Adj. EPS growth (%)	14.1	16.5	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "**Losses**") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.