

HSIE Results Daily

Contents

Results Reviews

- **Hindustan Unilever:** HUL results were a mixed bag, with revenue growth at 12.7% YoY (HSIE 11.4%) and EBITDA growth at 7.7% (HSIE 8.5%). The consumer business revenue grew by 12% YoY (2% two-year CAGR) with UVG of 9% YoY (flat two-year CAGR). The health, hygiene and nutrition portfolio sustained healthy growth (8% YoY), with its mix increasing to 85%, from 80%. Market share gains continued, well supported by strong rural and sustained momentum in e-commerce (the most profitable channel for HUL). The nutrition portfolio is seeing GTM integration (50% completed); it clocked mid-single digit volume growth (gaining penetration sequentially). High commodity (crude, palm oil and tea) inflation and gradual price hikes compressed the gross margin by 139bps YoY. The company has taken 3% price hike to offset margin pressure. We expect HUL to deliver sustained recovery in the discretionary portfolio and accelerate growth in the nutrition portfolio. We maintain our EPS estimates for FY22/FY23 and value HUL at 55x P/E on Jun-23E EPS to derive a TP of INR 2,475. Maintain REDUCE.
- **UltraTech Cement:** We maintain BUY on UltraTech (UTCEM) with a higher target price of INR 8,155/share (16x Jun'23E consolidated EBITDA). UTCEM delivered its best-ever consolidated EBITDA margin – INR 1,536/MT (+16/8% QoQ/YoY) –in Q1FY22. Amidst lower sales QoQ (lockdown impact), robust pricing and healthy cost controls moderated the consolidated net sales/EBITDA/APAT decline to 18/10/6% QoQ, resulting in INR 118.3/33.1/17.0bn (+54/59/79% YoY on a low base) respectively. We continue to like UTCEM for its strong volume focus along with superior margin delivery and working capital (WC) controls.
- **Bajaj Auto:** While Bajaj Auto's Q1FY22 margin (down 260bps QoQ) was below our estimate due to reduced operating leverage, we expect margins to improve from here on as domestic volumes increase. Further, Bajaj will benefit from its presence in the overseas markets, which account for ~50% of volumes. The company is working on future technologies and forming a 100% subsidiary to address electric mobility. Further, it has extensive tie-ups with international majors like KTM & Triumph and inhouse R&D capabilities. We maintain BUY with a target price of INR 4,575 (at 20x Jun-23E EPS) as we are confident on its product development capabilities across technologies (ICE, CNG and EVs) and diverse presence in the 2Ws and 3Ws space. However, we are reducing our estimates for FY22-24E by ~7% to factor in the Q1FY22 results.
- **Havells India:** Havells delivered a strong Q1FY22 performance despite the industry facing several challenges due to COVID-19. Revenue grew by 76% YoY (HSIE 68%), driven by strong performance across all segments, notably switchgears and ECD. While our channel checks suggested a ~15% revenue decline vs. Q1FY20, Havells, through its superior execution capabilities, managed to control the revenue decline to 4% (vs. Q1FY20), as against the 46% YoY dip registered in Q1FY21. With the second wave hitting India at the peak of summer season, Lloyd lost out on crucial sales; however, it posted slightly higher revenue than our expectation (24% down vs. Q1FY20). Despite steep raw material inflation, gross margin was resilient. The company saw 99bps YoY expansion in gross margin to 35.7% but it was down 170bps QoQ. EBITDA margin expanded by 474bps YoY to 13.6% (HSEI 13.3%), but was down 160bps QoQ. EBITDA grew by 170% YoY (HSIE 152%), clocking a 13% two-year CAGR. We expect the growth momentum to sustain, owing to healthy underlying demand (driven by housing activities), share gains, and revival in B-B. We continue to value Havells at 50x P/E on Jun-23E EPS to derive a target price of INR 1,200. We expect the rich valuation to sustain; maintain ADD.

HSIE Research Team

hdfcsec-research@hdfcsec.com

- **ICICI Lombard:** ICICI Lombard disappointed expectations as claims of health insurance spiked abnormally (46k in Q1FY22 vs. 49k in FY21), resulting in an all-time high loss ratio of 91%. However, we reckon this as a one-off event – given the exigencies of the COVID pandemic. For the rest of FY22, we expect loss ratios in the company’s health segment to improve, given the rapid pace of vaccination. We have reduced our full-year estimates to factor in higher loss ratios from the second wave, although a potential third wave poses a downside risk to our forecasts. We expect a motor TP price hike in FY22E, which could be a positive catalyst for growth. Given the rich valuations and uncertainties ahead, we rate ICICIGI a REDUCE with a target price of INR 1,250 (implying a Mar-23E PE of 27.3x and a P/ABV of 5.1x).

Hindustan Unilever

Steady performance continues

HUL results were a mixed bag, with revenue growth at 12.7% YoY (HSIE 11.4%) and EBITDA growth at 7.7% (HSIE 8.5%). The consumer business revenue grew by 12% YoY (2% two-year CAGR) with UVG of 9% YoY (flat two-year CAGR). The health, hygiene and nutrition portfolio sustained healthy growth (8% YoY), with its mix increasing to 85%, from 80%. Market share gains continued, well supported by strong rural and sustained momentum in e-commerce (the most profitable channel for HUL). The nutrition portfolio is seeing GTM integration (50% completed); it clocked mid-single digit volume growth (gaining penetration sequentially). High commodity (crude, palm oil and tea) inflation and gradual price hikes compressed the gross margin by 139bps YoY. The company has taken 3% price hike to offset margin pressure. We expect HUL to deliver sustained recovery in the discretionary portfolio and accelerate growth in the nutrition portfolio. We maintain our EPS estimates for FY22/FY23 and value HUL at 55x P/E on Jun-23E EPS to derive a TP of INR 2,475. Maintain REDUCE.

- **Broad-based growth continues:** Total revenue grew 12.7% YoY, with home care/BPC delivering 12/13% (5/0% two-year CAGR). The consumer business saw 12% YoY growth with volume growth at 9%. The health, hygiene and nutrition portfolio grew 8% YoY (16% over Q1FY20). Discretionary clocked 39% YoY growth (-24% over Q1FY20) and OOH saw 91% YoY growth (-40% in Q1FY20). Rural continued to be resilient, which is expected to sustain.
- **Compressed margins:** Gross margin contracted by 139bps YoY (-222bps in Q1FY21 and -117bps in Q4FY21) due to unprecedented commodity inflation. Home care EBIT margin contracted by 134bps to 17.4%. The BPC EBIT margin, at 28.1%, remained flat YoY (-152bps in Q1FY21) and was up 62bps QoQ. The F&R margin was down 160bps YoY. Employee/A&P/other expenses grew by 4/28/6% YoY. EBITDA margin was down 114bps YoY to 23.9% (-113bps in Q1FY21 and +146bps in Q4FY21). EBITDA grew 8% YoY (HSIE 8.5%). We expect margin recovery in the remaining quarters of FY22.
- **Call takeaways:** (1) The company saw market share gain across all three segments, including its premium products. (2) The e-commerce business has now doubled, with ~10% of the company's business being driven by digital platforms. (3) Acquired business (GSK) synergy is being reinvested, as of now, with further scope for margin improvement. (4) Horlicks and Boost INR-2 sachets continue to drive rural penetration. (5) We expect current EBITDA margin to sustain for FY22. (6) GTM integration for nutrition business (GSK) reached 50%, and management expects it to reach 80-90% by Sep-end. (7) >80% business is gaining penetration. (8) Rural is at 1.04x of the FMCG sector growth, while urban is at 0.96x.

Quarterly/annual financial summary

YE Mar (Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21E	FY22E	FY23E	FY24E
Net Sales	119,150	105,600	12.8	121,320	(1.8)	470,280	515,934	558,709	604,321
EBITDA	27,420	25,390	8.0	28,520	(3.9)	116,260	132,040	146,195	159,964
APAT	19,620	18,730	4.8	21,030	(6.7)	81,793	92,844	103,196	113,263
Diluted EPS (Rs)	8.4	8.0	4.8	9.0	(6.7)	34.8	39.5	43.9	48.2
P/E (x)						68.3	60.2	54.2	49.3
EV / EBITDA (x)						47.5	41.6	37.5	34.2
RoCE (%)						27.7	18.5	20.0	21.4

Source: Company, HSIE Research

REDUCE

CMP (as on 22 July 2021) INR 2,379

Target Price INR 2,475

NIFTY 15,824

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,475	INR 2,475
EPS %	FY22E 0%	FY23E 0%

KEY STOCK DATA

Bloomberg code	HUVR IN
No. of Shares (mn)	2,350
MCap (INR bn) / (\$ mn)	5,588/75,087
6m avg traded value (INR mn)	4,673
52 Week high / low	INR 2,534/2,000

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.2	(1.3)	6.2
Relative (%)	(9.5)	(7.8)	(33.1)

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	61.90	61.90
FIs & Local MFs	10.68	10.75
FPIs	14.95	15.11
Public & Others	12.47	12.24
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Varun Lohchab

varun.lohchab@hdfcsec.com
+91-22-6171-7334

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Saras Singh

saras.singh@hdfcsec.com
+91-22-6171-7336

UltraTech Cement

UltraHigh! Margin at its best ever; outlook strong

We maintain BUY on UltraTech (UTCEM) with a higher target price of INR 8,155/share (16x Jun'23E consolidated EBITDA). UTCEM delivered its best-ever consolidated EBITDA margin – INR 1,536/MT (+16/8% QoQ/YoY) –in Q1FY22. Amidst lower sales QoQ (lockdown impact), robust pricing and healthy cost controls moderated the consolidated net sales/EBITDA/APAT decline to 18/10/6% QoQ, resulting in INR 118.3/33.1/17.0bn (+54/59/79% YoY on a low base) respectively. We continue to like UTCEM for its strong volume focus along with superior margin delivery and working capital (WC) controls.

- **FY22Q1 performance:** UTCEM continued to surprise positively, as it posted its best-ever EBITDA margin in Q1FY22. While the pandemic impact pulled down total sales volume by 23% QoQ, robust pricing across all markets buoyed NSR by 6% QoQ. Further, continued efficiency improvement, fuel mix optimisation, asset sweating and, rising share of green power moderated the impact of lower utilisation and soaring fuel prices. Thus, unitary opex rose a modest 3% QoQ, driving up unitary EBITDA to an all-time high of INR 1,536/MT. Interest cost continued to decline on UTCEM's steady debt reduction, thereby boosting APAT.
- **Outlook:** UTCEM expects to commission its ongoing expansion (19.5mnMT – spread across north, central, east and west regions), by end FY23. It will also continue to reduce debt to become a net cash company. It is also investing towards increasing the share of green power to 34% by FY24, from 13% in FY21. We upgrade our consolidated EBITDA estimates for FY22/23/24E by 8/5/5% respectively, factoring in the robust pricing and continued production-efficiency gains. We reiterate our BUY rating with a revised target price of INR 8,155/share, (16x Jun'23E consolidated EBITDA).

Consolidated Quarterly/Annual Financial summary

YE Mar (INR bn)	Q1 FY22	Q1 FY21	YoY (%)	Q4 FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Sales (mn MT)*	21.5	14.7	47.0	27.8	(22.5)	82.5	86.4	93.8	101.1	113.0
NSR (INR/MT)*	5,495	5,236	4.9	5,186	6.0	5,142	5,177	5,280	5,359	5,413
Opex (INR/MT)*	3,958	3,818	3.7	3,857	2.6	4,005	3,838	4,018	4,050	4,078
EBITDA(INR/MT)*	1,536	1,418	8.3	1,328	15.6	1,137	1,339	1,262	1,309	1,335
Net Sales	118.3	76.7	54.2	144.1	(17.9)	424.3	447.3	500.7	547.9	618.0
EBITDA	33.1	20.8	59.2	36.9	(10.4)	93.8	115.7	123.7	138.3	157.3
APAT	17.0	9.5	78.9	18.1	(6.1)	38.7	55.8	59.7	73.0	97.0
AEPS (INR)	59.0	33.0	78.9	62.8	(6.1)	134.0	193.3	206.7	253.0	336.0
EV/EBITDA (x)						14.5	12.0	17.7	15.4	12.9
EV/MT (INR bn)						11.8	11.8	17.9	16.8	15.0
P/E (x)						30.9	23.8	36.1	29.5	22.2
RoE (%)						10.6	13.4	12.8	13.9	16.1

Source: Company, HSIE Research, * For combined grey +white/putty operations

Estimates revision

INR Bn	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Net Sales	486.3	500.7	3.0	536.8	547.9	2.1	605.5	618.0	2.1
EBITDA	114.9	123.7	7.7	132.0	138.3	4.8	150.3	157.3	4.7
APAT	53.8	59.7	10.9	68.8	73.0	6.1	91.8	97.0	5.7
AEPS (INR)	186.4	206.7	10.9	238.4	253.0	6.1	318.1	336.0	5.7

Source: Company, HSIE Research

BUY
CMP (as on 22 July 2021) INR 7,459

Target Price INR 8,155

NIFTY 15,824

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 7,760	INR 8,155
EBITDA %	FY22E 7.7	FY23E 4.8

KEY STOCK DATA

Bloomberg code	UTCEM IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	2,153/28,933
6m avg traded value (INR mn)	3,906
52 Week high / low	INR 7,547/3,735

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.4	34.8	93.1
Relative (%)	11.7	28.3	53.8

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	59.96	60.00
FIs & Local MFs	13.74	14.39
FPIs	17.28	16.58
Public & Others	9.02	9.03
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Rajesh Ravi

rajesh.ravi@hdfcsec.com
+91-22-6171-7352

Saurabh Dugar

saurabh.dugar@hdfcsec.com
+91-22-6171-7353

Bajaj Auto

Laying the ground for future technologies

While Bajaj Auto's Q1FY22 margin (down 260bps QoQ) was below our estimate due to reduced operating leverage, we expect margins to improve from here on as domestic volumes increase. Further, Bajaj will benefit from its presence in the overseas markets, which account for ~50% of volumes. The company is working on future technologies and forming a 100% subsidiary to address electric mobility. Further, it has extensive tie-ups with international majors like KTM & Triumph and inhouse R&D capabilities. We maintain BUY with a target price of INR 4,575 (at 20x Jun-23E EPS) as we are confident on its product development capabilities across technologies (ICE, CNG and EVs) and diverse presence in the 2Ws and 3Ws space. However, we are reducing our estimates for FY22-24E by ~7% to factor in the Q1FY22 results.

- **Q1FY22 financials:** Total volumes declined 14% QoQ, owing to state-wise lockdowns. The average realisation, at ~INR 73k, grew 6% YoY (remained flat QoQ) due to price hikes, richer model mix, and higher exports (64% vs 57/54% YoY/QoQ). EBITDA margin, at 15.2%, disappointed, and was lower by 260bps QoQ due to commodity cost pressures (RM ratio at 73% vs 67/72% YoY/QoQ). It was partially offset by higher USD realisation and improved mix. Reported PAT came in at INR 10.61bn (-20% QoQ).
- **Key takeaways:** (1) **Margin outlook:** Higher commodity costs impacted the EBITDA margin by ~3% in Q1, 1.5% of which the company was able to recover through cost pass-through to customers. Also, ~1% offset came from better forex and improved mix. (2) **Near-term demand:** Export volumes are at ~200k units/month and are expected to improve as more countries open. While domestic retail demand will improve QoQ, the built-up system inventory will result in wholesales trailing retail sales in Q2FY22. 3W sales were impacted in Q1FY22, but the OEM witnessed good retail in Jun-21. (3) **Alternative technologies:** The company has decided to form a 100% subsidiary for manufacturing EVs/hybrids. It will launch products as the market expands over the next 3-5 years. The transition from CNG-powered 3Ws (to electric) is not easy as the government is increasing the CNG footprint (~9k CNG pumps by 2025) and CNG is INR 1.25/km cheaper than diesel variants.

Financial Summary

YE March (INR mn)	1Q FY22	1Q FY21	YoY (%)	4Q FY21	QoQ (%)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	73,860	30,792	140	85,961	(14)	299,187	277,411	323,830	375,318	430,413
EBITDA	11,198	4,085	174	15,241	(27)	50,962	49,285	51,975	66,056	77,474
APAT	10,612	5,280	101	13,321	(20)	51,000	45,546	50,202	63,601	73,747
AEPS (Rs)	36.7	18.2	101	46.0	(20)	176.2	157.4	173.5	219.8	254.9
APAT Gr (%)						15.0	(10.7)	10.2	26.7	16.0
P/E (x)						21.9	24.5	22.2	17.5	15.1
RoE (%)						24.5	20.2	19.7	24.3	27.0

Source: Company, HSIE Research

Change in Estimates

INR mn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	323,830	375,318	430,413	318,743	369,571	427,381	2	2	1
EBITDA	51,975	66,056	77,474	56,290	68,371	80,775	(8)	(3)	(4)
EBITDA margin (%)	16.1	17.6	18.0	17.7	18.5	18.9	-161bps	-90bps	-90 bps
PAT	50,202	63,601	73,747	54,453	67,300	79,292	(8)	(5)	(7)
EPS	173.5	219.8	254.9	188.2	232.6	274.0	(8)	(5)	(7)

Source: Company, HSIE Research

BUY

CMP (as on 22 July 2021) INR 3,853

Target Price INR 4,575

NIFTY 15,824

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,860	INR 4,575
	FY22E	FY23E
EPS %	8%	5%

KEY STOCK DATA

Bloomberg code	BJAUT IN
No. of Shares (mn)	289
MCap (INR bn) / (\$ mn)	1,115/14,981
6m avg traded value (INR mn)	2,909
52 Week high / low	INR 4,361/2,822

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.7	(5.8)	29.0
Relative (%)	(6.1)	(12.3)	(10.3)

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	53.7	53.7
FIs & Local MFs	12.3	12.7
FPIs	12.0	11.8
Public & Others	22.0	21.8
Pledged Shares	0.0	0.0

Source : BSE

Aditya Makharia

aditya.makharia@hdfcsec.com
+91-22-6171-7316

Mansi Lall

mansi.lall@hdfcsec.com
+91-22-6171-7357

Havells India

Robust performance despite the odds

Havells delivered a strong Q1FY22 performance despite the industry facing several challenges due to COVID-19. Revenue grew by 76% YoY (HSIE 68%), driven by strong performance across all segments, notably switchgears and ECD. While our channel checks suggested a ~15% revenue decline vs. Q1FY20, Havells, through its superior execution capabilities, managed to control the revenue decline to 4% (vs. Q1FY20), as against the 46% YoY dip registered in Q1FY21. With the second wave hitting India at the peak of summer season, Lloyd lost out on crucial sales; however, it posted slightly higher revenue than our expectation (24% down vs. Q1FY20). Despite steep raw material inflation, gross margin was resilient. The company saw 99bps YoY expansion in gross margin to 35.7% but it was down 170bps QoQ. EBITDA margin expanded by 474bps YoY to 13.6% (HSEI 13.3%), but was down 160bps QoQ. EBITDA grew by 170% YoY (HSIE 152%), clocking a 13% two-year CAGR. We expect the growth momentum to sustain, owing to healthy underlying demand (driven by housing activities), share gains, and revival in B-B. We continue to value Havells at 50x P/E on Jun-23E EPS to derive a target price of INR 1,200. We expect the rich valuation to sustain; maintain ADD.

- Continued its all-round performance:** Revenue was up 76% YoY (HSIE 68%), but it was down by only 4% on Q1FY20 vs. the 46% YoY dip in Q1FY21. Switchgears/cables/lighting/ECD delivered YoY growth of 96/75/52/91% while compared to Q1FY20, the growth was +9/+4/-16/+3%. Lloyd lost out on crucial peak summer sales still it registered only 16% QoQ dip. Our channel checks suggest that the RAC industry saw a higher decline (on Q1FY20) than electrical categories. We expect revenue growth momentum to sustain with inspiring industry recovery, housing activities, and share gain. Havells has undertaken several initiatives for Lloyd, but it has yet to go through a full normal season for us to understand the extent of recovery of the brand.
- Beat in margin:** GPM was up by 99bps YoY (down 281bps in 1QFY21 and +127bps in 4QFY21), lower than our expectations of 131bps YoY expansion. Employee/A&P/other expenses grew by 32/645/48% YoY on a low Q1FY21 base. EBIT margin for switchgears/cables/lighting/ECD/Lloyd expanded by 1.2pp/770bps/1.3pp/-58bps/-2bps YoY to 27/16/15/12/2%. EBITDA margin saw an expansion of 474bps YoY to 13.6% (-140bps in 1QFY21 and +411bps in 4QFY21). EBITDA grew by 170% YoY (HSIE +152%).
- Con call takeaways:** (1) Compared to the first wave, in the second one, the demand was more driven by the underlying trend instead of pent-up demand. (2) Project execution this year is driving B-B growth. (3) Lloyds' inventory levels are high at company level (are expected to normalise in 1-2 quarters) while trade level inventory is not at a high level. (4) Capex plans remain unchanged at INR 5bn and INR 10bn for the next two years.

Quarterly/Annual Financial summary

YE Mar (INR mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	25,982	14,791	75.7	33,312	(22.0)	104,279	126,721	148,237	164,680
EBITDA	3,531	1,309	169.8	5,057	(30.2)	15,653	17,432	20,404	22,547
APAT	2,343	633	269.9	3,023	(22.5)	10,397	11,899	14,107	15,802
Diluted EPS (Rs)	3.7	1.0	269.9	4.8	(22.5)	16.6	19.0	22.5	25.3
P/E (x)						69.3	60.5	51.1	45.6
EV / EBITDA (x)						45.1	39.9	33.7	30.1
Core RoCE (%)						26.5	27.0	31.6	33.4

Source: Company, HSIE Research

ADD

CMP (as on 22 July 2021)	INR 1,151
Target Price	INR 1,200
NIFTY	15,824

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,200	INR 1,200
EPS %	FY22E 0%	FY23E 0%

KEY STOCK DATA

Bloomberg code	HAVL IN
No. of Shares (mn)	626
MCap (INR bn) / (\$ mn)	721/9,690
6m avg traded value (INR mn)	2,479
52 Week high / low	INR 1,238/568

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.6	2.6	96.9
Relative (%)	3.8	(3.9)	57.6

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	59.50	59.47
FIs & Local MFs	7.89	8.17
FPIs	24.91	24.01
Public & Others	7.70	8.35
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi

naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Saras Singh

saras.singh@hdfcsec.com
+91-22-6171-7336

ICICI Lombard

Not in the pink: spike in health claims affects loss ratio

ICICI Lombard disappointed expectations as claims of health insurance spiked abnormally (46k in Q1FY22 vs. 49k in FY21), resulting in an all-time high loss ratio of 91%. However, we reckon this as a one-off event – given the exigencies of the COVID pandemic. For the rest of FY22, we expect loss ratios in the company's health segment to improve, given the rapid pace of vaccination. We have reduced our full-year estimates to factor in higher loss ratios from the second wave, although a potential third wave poses a downside risk to our forecasts. We expect a motor TP price hike in FY22E, which could be a positive catalyst for growth. Given the rich valuations and uncertainties ahead, we rate ICICIGI a **REDUCE** with a target price of INR 1,250 (implying a Mar-23E PE of 27.3x and a P/ABV of 5.1x).

- **Q1FY22 highlights:** ICICIGI reported NEP 6% ahead of estimates at INR 27bn (+16.4% YoY on weak base), driven by strong growth in the fire and health segments. Claims in the health segment witnessed a huge spike (46k in Q1FY22 vs. 49k in FY21), pushing the loss ratio in the segment to 153%. The nature of claims was optically different compared to FY21 as they included (1) affluent customers with high sums assured and (2) moderate and critical cases. Overall, Q1 CoR (calculated) was at an all-time high of 122.5%; however, this remains a one-off event. Heavy underwriting losses (INR 539mn) were offset by higher-than-estimated investment income of INR 708mn, leading to INR 152mn APAT (significantly below the estimate).
- Given the adverse claims experience, ICICIGI has raised its pricing on selective renewals and in group health business (~15-20%). It on-boarded 1k employees for scaling up retail health, an extremely valuable proposition. COVID-related health claims shot up to INR 6bn (vs. 3.4bn FY21) with INR 2.18bn of closing reserves. The company continues to maintain its defensive stance on motor OD, given the competitive pricing environment.

Quarterly financial summary

(INR bn)	1QFY22	1QFY21	YoY(%)	4QFY21	QoQ(%)	FY19	FY20	FY21	FY22E	FY23E
Premium (NEP)	27.06	23.24	16.4	26.16	3.4	83.8	94.0	100.1	137.5	156.4
Operating profit	2.01	5.64	(64.2)	4.43	(54.6)	16.2	17.2	20.6	19.3	30.2
OP margin (%)	7.4	24.2	-1680bps	17.0	-950bps	19.4	18.3	20.5	14.1	19.3
APAT	1.52	4.22	(64.1)	3.50	(56.7)	10.5	12.3	15.3	14.3	22.4
AEPS	3.1	8.6	(64.1)	7.1	(56.7)	23.1	27.1	33.6	29.0	45.6
P/E (x)						66.9	56.9	45.9	53.1	33.8
P/B (x)						12.6	12.1	8.8	7.6	6.4
ROE (%)						19.2	21.7	22.1	14.1	17.1

Note: FY22E onwards, numbers include Bharti AXA GI's merger.

Source: Company, HSIE Research

Estimate Change

INR bn	FY22E			FY23E		
	Revised	Old	Change %/bps	Revised	Old	Change %/bps
Premium (NWP)	142	141	0.7	161	160	0.3
Premium (NEP)	137	137	0.7	156	156	0.3
COR (%)	106.9	102.4	449bps	101.6	101.6	-2bps
COR (%) IRDAI	106.2	102.0	420bps	101.3	101.6	-28bps
APAT	14	18	(21.8)	22	22	0.4

Source: Company, HSIE Research

REDUCE

CMP (as on 22 Jul 2021) INR 1,545

Target Price INR 1,250

NIFTY 15,824

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 1,250	INR 1,250
EPS %	FY21E	FY22E
	-21.8	+0.4

KEY STOCK DATA

Bloomberg code	ICICIGI IN
No. of Shares (mn)	455
MCap (INR bn) / (\$ mn)	702/9,432
6m avg traded value (INR mn)	1,032
52 Week high / low	INR 1,626/1,200

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	11.9	7.3	19.3
Relative (%)	1.1	0.8	(20.0)

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	51.9	51.9
FIs & Local MFs	12.0	11.7
FPIs	29.1	29.8
Public & Others	7.1	6.7
Pledged Shares	Nil	Nil

Source : BSE

Pledged shares as % of total shares

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7328

Sahej Mittal

sahej.mittal@hdfcsec.com
+91-22-6171-7325

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Varun Lohchab	Hindustan Unilever	PGDM	NO
Naveen Trivedi	Hindustan Unilever, Havells India	MBA	NO
Saras Singh	Hindustan Unilever, Havells India	PGDM	NO
Rajesh Ravi	Ultratech Cement	MBA	NO
Saurabh Dugar	Ultratech Cement	MBA	NO
Aditya Makharia	Bajaj Auto	MBA	NO
Mansi Lall	Bajaj Auto	MBA	NO
Krishnan ASV	ICICI Lombard	PGDM	NO
Sahej Mittal	ICICI Lombard	ACA	NO

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com