

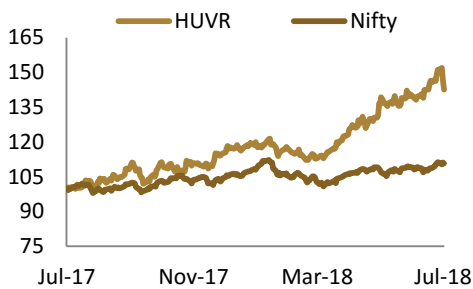
Market Statistics

Current stock price (₹)	1,644
Shares O/S (cr.)	216.5
Mcap (₹cr)	355,812
52W H/L (₹)	1,780/1,136
6m avg. volume	1,341,631
Bloomberg	HUVR IN

Shareholding pattern (%)

Promoters	67.19
Domestic Institution	7.28
Foreign Institution	12.15
Non-institution	13.4
more than 1%	
Life Insurance Corporation of India	3.3

HUVR vs Nifty



Capital efficiency & valuations

Particulars	FY18	FY19E	FY20E
ROE (%)	72.2	69.8	66.7
ROCE (%)	94.0	101.7	96.7
P/B(x)	48.9	44.4	37.4
P/E (x)	67.4	54.9	48.9
EPS (₹)	24.4	30.0	33.6
EV/OCF (x)	48.6	74.2	47.7

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HUVR's Q1FY19 consolidated adjusted PAT grew strong 22% YoY to Rs15.7b in line with our est. of Rs15.8b led by strong underlying volume growth and continuing reduction in other expenses. Revenue grew 11% YoY to Rs95b while comparable revenue (net of excise & input taxes in 1QFY18) grew 16% YoY. Comparable volume growth was strong 12% on the back of a poor base (0% in Q1FY18) quarter affected by GST implementation. EBITDA margins improved 185bps YoY to 23.7% mainly led by premiumisation in Home care and double digit volume growth across key brands in three business divisions.

HUVR commentary continued to remain positive as rural growth is expected to remain strong however real challenge would be to maintain this trajectory of strong volume growth on a higher base in 2HFY19 and stabilization of trade disturbance. Gradual recovery in volume growth seems underway. HUVR continued to witness premiumisation trend (25% of total HUVR's product portfolio) across businesses post two years of overall weak volume growth. Maintain HOLD.

Strong 12% UVG aided by premiumisation and passing of GST benefits

HUVR's domestic revenue growth inched up by 16% on like to like basis led by healthy broad based growth across segments. **Homecare** showed 20% YoY comparable growth led by double digit (~14%) volume growth. Fabric wash witnessed robust double digit growth in premium (Surf) and mass laundry (Rin and Wheel). Premium detergent segment is growing 3x of mass. Detergents category is doing very well and HUVR is gaining market share despite high competitive intensity. Homecare EBIT grew whopping 34% YoY to Rs6b, with EBIT margin expanding 440 bps to 19%. Domex liquid was relaunched in South India and Domex powder was extended to newer geographies beyond Andhra Pradesh. In Water Purifiers, while overall performance was subdued, premium range continued to do well. **Personal Care** business grew 14% YoY due to broad based growth across skin and hair care products. Premium products lead the category growth in personal wash. Skin Care was led by Fair & Lovely and Pond's while in Hair Care it was broad based volume recovery. EBIT grew 8%, with margin improved 170bps to 26.4% on a comparable basis. Oral care did well, but still more work to be done on mass range. Deodorants witnessed strong growth with Axe Ticket gaining traction. HUVR launched *Brylcreem* beard and hair grooming range exclusively on Amazon. **Foods and refreshments segment** also grew 14% YoY led by Kissan Ketchup, Knorr Soups, Tea and Ice creams in seasonally strong quarter. Overall consolidated EBITDA margins at 23.7% (185bps expansion YoY) was highest in history led by premiumisation and recovery in volume growth.

Concall Highlights:

1) Segments of future grew 2x HUVR's average growth. 2) Innovation and Naturals portfolio grew 2.5x averages however on a low base. 3) Premium portfolio aided Homecare and personal care business. 4) Rural markets witnessed strong volume growth which is ~40% for HUVR in value and much higher in volume terms. 5) Other income increased by 19% yoy due to higher investable funds. 6) HUVR is undertaking a restructuring activity to rejig its industrial footprint, distribution footprint in order to create a more efficient supply chain. This could result in payout to people/ write offs of assets and hence restructuring related expenses are likely to be incurred in coming quarters too. 7) HUVR had passed on the net GST benefit to the consumers by taking price cuts in range of ~8% in November 2017. 8) Expect competitive intensity to step up in certain pockets where RM inflation is benign as volume growth is recovering.

Outlook & Valuation:

Government's effort to increase MSP, consequent wage rate hikes and probable good distribution of monsoon is expected to improve rural volume growth trajectory. HUVR is focused on volume growth and premiumisation across its product portfolio. However rising input cost inflation in certain crude linked categories and competitive intensity in others can put pressure on volumes and margins post 2HFY19. We expect revenues, EBITDA & PAT to grow by 13%, 16% & 16% CAGR during FY18-20E, respectively. However at CMP, stock trades at a P/E of 49x FY20E EPS which appear expensive. **Maintain HOLD.**

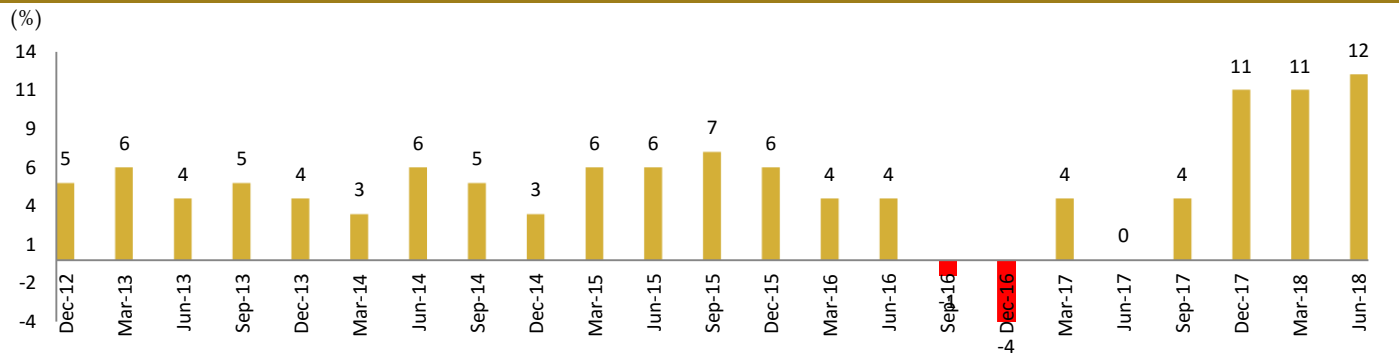


Exhibit 1: Quarterly Performance (Based on IND AS)

Quarterly Snapshot (₹ mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net Sales	78,427	77,050	82,130	85,290	83,090	85,900	90,970	94,870
YoY Gr%	1.4	(0.8)	6.4	4.9	5.9	11.5	10.8	11.2
Gross Margin %	49.5	51.4	51.0	52.1	52.7	54.5	52.6	54.0
Margin expansion (YoY)	-12bps	-40bps	-16bps	78bps	323bps	314bps	155bps	188bps
A&P (% of Sales)	10.9	11.5	10.4	10.6	12.3	12.9	11.8	12.2
Expansion (YoY)	-106bps	-37bps	-82bps	-21bps	146bps	140bps	138bps	154bps
EBITDA	14,046	13,545	16,510	18,660	16,820	16,800	20,480	22,510
YoY Gr%	5.1	(5.3)	12.1	14.1	19.7	24.0	24.0	20.6
EBITDA Margin %	17.9	17.6	20.1	21.9	20.2	19.6	22.5	23.7
Margin expansion (YoY)	62bps	-84bps	103bps	176bps	233bps	198bps	241bps	185bps
Reported PAT	10,956	10,370	11,830	12,830	12,760	13,260	13,510	15,290
YoY Gr%	11.5	6.7	6.2	9.3	16.5	27.9	14.2	19.2
Adjusted PAT	11,083	9,313	11,837	12,810	12,770	13,250	13,953	15,701
YoY Gr%	12.8	(9.3)	9.9	4.8	15.2	42.3	17.9	22.6

Source: Company, Trust

Exhibit 2: Underlying Volume Growth Trajectory



Source: Company, Trust



Consolidated Financials

P&L Statement

Y/E Mar (₹ mn)	FY16	FY17	FY18	FY19E	FY20E
Net Revenues	3,21,860	3,31,620	3,45,250	4,03,617	4,56,289
% Growth	0.7	3.0	4.1	16.9	13.0
Raw Material	1,58,670	1,63,130	1,62,320	1,88,893	2,14,912
Staff	16,800	17,430	17,450	21,417	24,249
Other Expenses	86,192	87,660	92,720	1,03,346	1,16,379
Total Expenditures	2,61,662	2,68,220	2,72,490	3,13,656	3,55,540
EBITDA	60,198	63,400	72,760	89,961	1,00,749
% Growth	11.2	5.3	14.8	23.6	12.0
EBITDA Margins (%)	18.7	19.1	21.1	22.3	22.1
Interest	170	350	210	324	364
Depreciation	3,530	4,320	4,780	5,591	5,982
Profit Before Tax	62,132	63,989	73,460	90,392	1,01,445
Provision for tax	18,830	19,770	20,480	23,577	26,899
Effective tax rate (%)	31.2	30.5	27.9	30.4	30.4
Reported PAT	43,302	44,219	52,980	66,815	74,546
% Growth	13.1	8.2	16.9	3.3	14.1
Adjusted Net Profit	41,583	43,041	52,783	64,809	72,741
% Growth	13.2	3.5	21.9	6.7	13.2

Balance Sheet

Balance Sheet (₹ mn)	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	2,164	2,164	2,164	2,164	2,164
Reserves & surplus	63,570	65,280	70,523	77,993	92,868
Shareholders' funds	65,734	67,444	72,687	80,157	95,032
Minorities interests	200	220	220	220	220
Total Debt	3,564	5,570	6,070	6,870	7,670
Capital Employed	69,498	73,234	79,807	88,493	1,04,168
Net fixed assets	36,660	46,480	47,280	47,689	47,706
Cash & Cash Eq.	32,480	21,590	36,841	26,362	41,633
Net Other current assets	(28,461)	(35,760)	(51,108)	(38,273)	(43,192)
Investments	27,130	39,220	42,660	46,160	49,660
Net Deferred tax Assets	1,690	1,700	3,070	3,070	3,070
Total Assets	69,498	73,234	79,807	88,493	1,04,168

**Cash flow**

Cash Flow Statement(₹ mn)	FY16	FY17	FY18	FY19E	FY20E
Pre-tax profit	60,580	62,290	73,040	77,555	88,483
Depreciation	3,530	4,320	5,200	5,591	5,982
Total Tax Paid	(17,650)	(18,590)	(22,160)	(23,577)	(26,899)
Chg in working capital	(810)	7,150	15,348	(12,835)	4,919
Other operating activities	(3,940)	(3,320)	260	324	364
Cash flow from oper (a)	41,710	51,850	71,688	47,058	72,849
Capital Expenditure	(7,780)	(14,520)	(6,000)	(6,000)	(6,000)
Chg in investments	2,770	(11,310)	(3,440)	(3,500)	(3,500)
Other investing activities	2,190	14,100	-	-	-
Cash flow from inv.(b)	(2,820)	(11,730)	(9,440)	(9,500)	(9,500)
Free cash flow (a+b)	38,890	40,120	62,248	37,558	63,349
Equity raised/(repaid)					
Debt raised/(repaid)	1,770	1,000	501	801	801
Interest paid	(20)	(140)	(260)	(324)	(364)
Dividend (incl. Tax)	(33,660)	(35,830)	(40,032)	(41,114)	(41,114)
Other financing activities	(6,730)	(7,170)	(7,206)	(7,401)	(7,401)
Cash flow from fin. (c)	(38,640)	(42,140)	(46,997)	(48,037)	(48,077)
Net chg in cash (a+b+c)	250	(2,020)	15,251	(10,479)	15,272

Key Ratios

Y/E Mar	FY16	FY17	FY18	FY19E	FY20E
Raw Material Cost/Sales (%)	49.3	49.2	47.1	47.8	48.1
Manpower Cost/Sales (%)	5.2	5.3	5.2	5.3	5.3
Operating & Other Cost/Sales (%)	26.8	26.4	26.6	24.6	24.5
Revenue Growth (%)	0.7	3.0	4.1	16.9	13.0
EBITDA Margins (%)	18.7	19.1	21.1	22.3	22.1
Net Income Margins (%)	12.9	13.0	14.8	13.9	13.9
ROCE (%)	86.6	86.6	94.0	101.7	96.7
ROE (%)	63.3	63.8	72.2	69.8	66.7

Valuation Parameters

Y/E Mar	FY16	FY17	FY18	FY19E	FY20E
EPS (₹.)	19.2	19.9	24.4	30.0	33.6
P/E (x)	43.7	45.8	67.4	54.9	48.9
BV (₹)	30.4	31.2	33.6	37.0	43.9
P/BV (x)	27.7	29.2	48.9	44.4	37.4
EV/EBITDA (x)	29.3	30.2	46.5	38.8	34.5
Fixed assets turnover ratio (x)	8.8	7.1	7.5	8.5	9.6
Net Debt/Equity (x)	(0.4)	(0.2)	(0.4)	(0.2)	(0.4)
EV/Sales (x)	5.5	5.8	9.8	8.7	7.6



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