

Market Statistics

Current stock price (₹)	1,744
Shares O/S (cr.)	216.5
Mcap (₹cr)	377,536
52W H/L (₹)	1,871/1,281
6m avg. volume	1,628,833
Bloomberg	HUVR IN

HUVR's 3QFY19 consolidated adjusted PAT grew 7% YoY to Rs15b largely in line with our est. of Rs15.1b led by strong underlying volume growth and softening of few raw material prices. Revenue grew 11% YoY to Rs95.6b tad lower than est. of Rs96.8. Overall volume growth was strong 10% on the back of a strong base (11% in 3QFY18) quarter. EBITDA grew 22% YoY to Rs20.5b tad lower than est. of Rs21b. EBITDA margins improved 185bps YoY to 21.4% mainly led by premiumisation in Home care and softening of few raw material prices although management remained cautious about volatility in crude linked raw materials. HUVR commentary continued to remain positive as rural growth (1.3x urban in 3QFY19) is expected to remain strong ahead of upcoming general elections and overall demand is expected to remain stable in near to medium term. HUVR continued to witness premiumisation trend across businesses however valuations are at peak. Maintain HOLD.

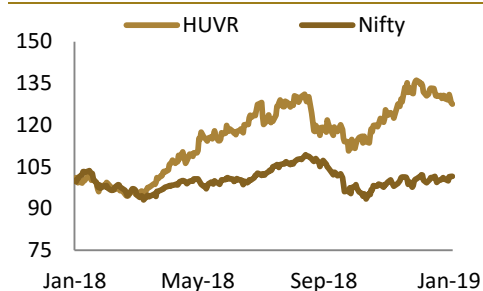
Shareholding pattern (%)

Promoters	67.19
Domestic Institution	7.44
Foreign Institution	11.96
Non-institution more than 1%	13.41
Life Insurance Corporation of India	3.64

Strong 10% UVG aided by growth across portfolios and premiumisation

HUVR's domestic revenue growth inched up by 13% on like to like basis led by healthy broad based growth across its portfolios. Homecare business revenue which includes fabric wash, household care, and water purifiers grew 16% YoY to Rs31.5b while EBIT grew 14% YoY to Rs4b. EBIT margin declined 314bps QoQ to 12.8% affected by high competitive intensity in detergents category. In water purifiers business, HUVR is realigning its portfolio strategy towards premium devices and phasing out the gravity segment; which resulted in exceptional restructuring cost of Rs400m and impacted margins in this quarter. Dish wash liquid is seeing great traction across rural India which is in line with premiumisation strategy of HUVR.

HUVR vs Nifty



Beauty and Personal Care revenues grew 11% YoY to Rs45.4b mainly led by premiumisation. Double digit volume growth was seen in Skin care and launch of Rs10 SKUs across portfolio. Oral care growth was on the back of good performance in north and central markets. HUVR launched *Close-Up* mouthwash in South India. *Lakmé* continued to lead trends and drive strong growth by fulfilling the rising aspirations of women across India. Hair care portfolio grew strong mainly led by premiumisation – *Dove* relaunched in new formulation and variant. EBIT grew 15% YoY to Rs11.6b.

Food & Refreshments division revenues grew 36% YoY to Rs17.3 led by recent acquisition of Aditya Milk which is aiding HUVR's portfolio. Ice cream portfolio grew strong during quarter as HUVR launched *Magnum* Hazelnut in select markets.

Capital efficiency & valuations

Particulars	FY18	FY19E	FY20E
ROE (%)	71.2	68.6	66.6
ROCE (%)	82.9	89.4	98.9
P/B(x)	51.6	42.7	34.6
P/E (x)	72.5	62.3	52.0
EPS (₹)	24.1	28.0	33.5
EV/EBITDA (x)	50.9	43.2	35.7

Concall Highlights:

1) Rural markets growing ahead of urban by ~1.3x 2) *Ayush* and *Naturals* portfolio grew stronger in Southern markets. 3) Premium portfolio aided Beauty and personal care business. 4) HUVR has restructured 12 distribution centres after GST implementation reducing the total count to 28, and the target is to bring it down to 20 over next 3-4 quarters. HUVR management reiterated that supply chain realignment and restructuring on material procurement can aid them achieve its target of 6-7% cost savings per year. 5) HUVR has launched Rs10 packs in a number of beauty and personal care products. The objective is to drive penetration and product mix improvement.

Outlook & Valuation:

Demand scenario is expected to remain stable over next few quarters. HUVR is focused on volume growth and premiumisation across its product portfolios and has delivered excellent results over last five quarters on the back of innovative capabilities and by being agile in competitive markets. However input cost inflation in certain crude linked categories and competitive intensity in others can put pressure on volumes and margins over next few quarters. We expect revenues, EBITDA & PAT to grow by 12%, 16% & 15% CAGR during FY18-21E, respectively. However at CMP, stock trades at a P/E of 52x FY20E EPS which appear expensive. **Maintain HOLD.**

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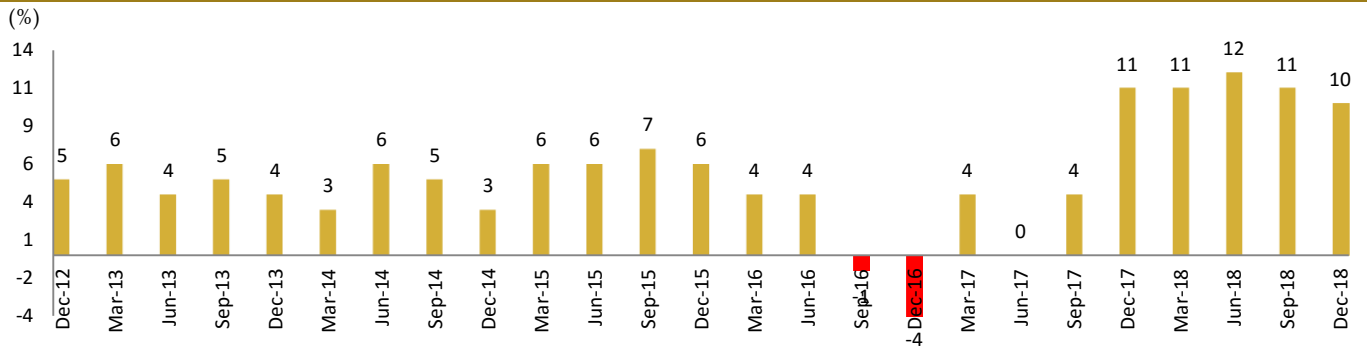


Exhibit 1: Quarterly Performance (Based on IND AS)

Quarterly Snapshot (₹ mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Sales	82,130	85,290	83,090	85,900	90,970	94,870	92,340	95,580
YoY Gr%	6.4	4.9	5.9	11.5	10.8	11.2	11.1	11.3
Gross Margin %	51.0	52.1	52.7	54.5	52.6	54.0	52.0	53.8
A&P (% of Sales)	10.4	10.6	12.3	12.9	11.8	12.2	12.0	12.4
EBITDA	16,510	18,660	16,820	16,800	20,480	22,510	20,190	20,460
YoY Gr%	12.1	14.1	19.7	24.0	24.0	20.6	20.0	21.8
EBITDA Margin %	20.1	21.9	20.2	19.6	22.5	23.7	21.9	21.4
Reported PAT	12,160	12,280	12,640	13,880	12,560	15,370	14,750	14,400
YoY Gr%	5.8	4.6	15.4	33.8	3.3	25.2	16.7	3.7
Adjusted PAT	12,170	12,410	12,280	14,090	13,200	15,960	15,100	15,020
YoY Gr%	10.8	12.5	14.0	59.4	8.5	28.6	23.0	6.6

Source: Company, Trust

Exhibit 2: Underlying Volume Growth Trajectory



Source: Company, Trust



Consolidated Financials

P&L Statement

Y/E Mar (₹ mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Revenue	3,18,886	3,45,250	3,86,345	4,39,450	4,83,245
Change (%)	2.7	8.3	11.9	13.7	10.0
EBITDA	60,457	72,760	85,435	1,02,685	1,14,013
Change (%)	5.1	20.4	17.4	20.2	11.0
Margin (%)	19.0	21.1	22.1	23.4	23.6
Depreciation	3,960	4,780	5,288	5,608	5,928
Interest	215	210	220	229	238
Fin Other Income	5,259	5,690	7,762	8,072	8,395
Profit before Taxes	61,541	73,460	87,688	1,04,921	1,16,242
Change (%)	3.0	19.4	19.4	19.7	10.8
Margin (%)	18.1	19.7	23.1	24.3	24.4
Tax	18,730	21,480	27,191	32,533	36,043
Tax Rate (%)	30.4	29.2	31.0	31.0	31.0
Profit after Taxes	42,811	51,980	60,498	72,388	80,199
Change (%)	1.8	21.4	16.4	19.7	10.8
Margin (%)	12.6	14.0	15.9	16.7	16.9
Non-rec. (Exp)/Income	2,411	-620	0	0	0
Reported PAT	45,222	51,360	60,498	72,388	80,199

Balance Sheet

Balance Sheet (₹ mn)	FY17	FY18	FY19E	FY20E	FY21E
Share Capital	2,160	2,160	2,160	2,160	2,160
Total Reserves	65,500	70,850	85,988	1,06,535	1,28,414
Net Worth	67,660	73,010	88,148	1,08,695	1,30,574
Deferred Tax Liability	-1,700	-3,020	-3,020	-3,020	-3,020
Non Current Liabilities	10,560	13,720	13,720	13,720	13,720
Trade Payables	61,860	71,700	79,386	87,890	92,677
Current Liabilities	77,140	88,870	96,556	1,05,060	1,09,847
Total Liabilities	1,55,360	1,75,600	1,98,424	2,27,475	2,54,141
Net Fixed Assets	44,400	45,440	42,452	39,324	36,056
Capital WIP	2,290	4,610	9,310	14,130	19,870
Long term loans & advances	7,100	9,090	9,090	9,090	9,090
Current Assets	1,01,510	1,16,440	1,37,552	1,64,911	1,89,106
Inventory	25,410	25,130	28,121	31,987	35,174
Account Receivables	10,850	13,100	14,659	16,674	18,336
Cash and Bank Balance	18,280	34,850	51,411	72,891	92,235
Short term loans & advances	5,350	10,050	10,050	10,050	10,050
Currents Investments	38,140	28,710	28,710	28,710	28,710
Total Assets	1,55,360	1,75,600	1,98,424	2,27,475	2,54,141

**Cash flow**

Cash Flow Statement(₹ mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT before EO items	61,541	73,460	87,688	1,04,921	1,16,242
Add : Depreciation	3,930	3,460	5,288	5,608	5,928
Interest	215	210	220	229	238
Less : Direct taxes paid	18,730	21,480	27,191	32,533	36,043
(Inc)/Dec in WC	-7,580	-9,200	-3,135	-2,624	62
CF from Operations	54,536	64,850	69,141	80,848	86,303
Extraordinary	2,411	-620	0	0	0
CF from Op after extra	56,946	64,230	69,141	80,848	86,303
(Incr)/Decr in FA	13,770	8,140	7,000	7,300	8,400
(Pur)/Sale of Investments	12,280	-9,470	0	0	0
CF from Invest.	-26,264	1,120	-7,220	-7,529	-8,638
Inc/(Dec) in equity	-7,852	-7,130	0	0	0
Inc/(Dec) in debt	1,000	-2,770	0	0	0
Less: Dividend paid	35,640	38,880	45,360	51,840	58,320
CF from fin. activity	-42,492	-48,780	-45,360	-51,840	-58,320
Incr/Decr of Cash	-11,810	16,570	16,561	21,479	19,345
Add: Opening Balance	30,090	18,280	34,850	51,411	72,891
Closing Balance	18,280	34,850	51,411	72,891	92,235

Key Ratios

Y/E Mar	FY17	FY18	FY19E	FY20E	FY21E
Raw Material Cost/Sales (%)	49.2	47.0	47.5	47.0	46.5
Manpower Cost/Sales (%)	5.1	5.1	5.2	5.3	5.4
Operating & Other Cost/Sales (%)	26.8	26.9	25.2	24.4	24.5
Revenue Growth (%)	2.7	8.3	11.9	13.7	10.0
EBITDA Margins (%)	19.0	21.1	22.1	23.4	23.6
Net Income Margins (%)	12.6	14.0	15.7	16.5	16.6
ROCE (%)	74.3	82.9	89.4	98.9	105.0
ROE (%)	63.3	71.2	68.4	66.7	61.8

Valuation Parameters

Y/E Mar	FY17	FY18	FY19E	FY20E	FY21E
EPS (₹.)	19.8	24.1	28.0	33.5	37.1
P/E (x)	88.0	72.5	62.3	52.0	47.0
BV (₹)	31.3	33.8	40.8	50.3	60.5
P/BV (x)	55.7	51.6	42.7	34.6	28.8
EV/EBITDA (x)	61.4	50.9	43.2	35.7	32.0
Fixed assets turnover ratio (x)	4.4	4.3	3.7	3.5	3.3
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	10.9	10.0	9.7	8.5	7.7



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