

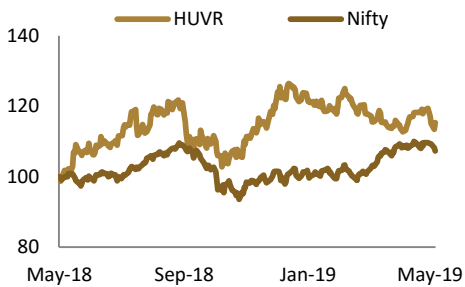
Market Statistics

Current stock price (₹)	1,698
Shares O/S (cr.)	216.5
Mcap (₹cr)	367,459
52W H/L (₹)	1,871/1,465
6m avg. volume	1,636,692
Bloomberg	HUVR IN

Shareholding pattern (%)

Promoters	67.19
Domestic Institution	7.03
Foreign Institution	11.83
Non-institution	13.95
more than 1%	

HUVR vs Nifty



Capital efficiency & valuations

Particulars	FY19	FY20E	FY21E
ROE (%)	71.2	66.3	62.0
ROCE (%)	91.3	98.0	105.3
P/B(x)	41.7	34.2	28.4
P/E (x)	58.5	51.5	45.8
EPS (₹)	29.0	32.9	37.1
EV/OCF (x)	41.5	35.4	31.2

HUVR's 4QFY19 consolidated adjusted PAT grew 14% YoY to Rs16b tad lower than our est. of Rs16.4b; decent performance amidst rural slowdown impacting certain categories and extended winter. Underlying volume growth decelerated to 7% post successive five quarters of strong double digit growth. Revenue grew 9% YoY to Rs99.5b Vs est. Rs99.8b. EBITDA margins improved 83bps YoY to 23.3% mainly led by premiumisation and benign commodity environment. HUVR commentary continued to remain cautiously positive as premium end categories continued to perform well while economy brands suffered due to weakening of rural sentiments. Rural growth weakened from 1.3x urban to 1x in 4QFY19. Gradual recovery in volume growth is expected over next few quarters which would demand good monsoon and political stability. Maintain HOLD.

UVG weakened to 7% post strong show for five successive quarters

HUVR's domestic revenue growth decelerated to 9% YoY led by weaker rural demand and late pick up in pre summer activities. **Homecare** grew strong 13% YoY led by strong volume growth. Fabric Wash category's robust growth was driven by premiumisation and market development initiatives. HUVR launched Surf Excel Easy wash liquid nationally. Household care witnessed double digit growth led by liquids upgradation and increased penetration of bars. Purifiers witnessed steady progress on reshaping portfolio and Go to Market model redesigning. EBIT grew 21% YoY to Rs6.2b, while margins expanded by 127bps to 17.7%.

Personal Care business grew 7% YoY due to weakening of rural demand. Premium brands performed well while popular segments delivered below expectations. E.g. *Lifebuoy* and *Lux*. Skin care grew double digits on relaunching of *FAL* and new products such as *Pond's Sun Protect*. HUVR introduced a new brand '*Simple*' from the UK and has currently launched it exclusively through the e-commerce channel. Hair care growth was led by the national relaunch of *Dove Nourishing secrets* and *Brylcreem*. Color cosmetics continued to lead the strong performance of the segment with consistent double-digit growth. Oral care saw acceleration in performance led by *Close Up* and *Ayush Oral Care*. Segment EBIT grew 14% YoY to Rs12.2b led by premiumisation, while margins expanded by 175bps to 27.8%.

Foods and Beverages witnessed consistent growth catering to consumer palate of each cluster. Ice cream & frozen foods sustained its strong growth momentum across all formats. HUVR has rolled out a number of ice creams e.g. *Aam Ras*, *Shahi Kulfi*, etc. leveraging capabilities of its own brands and recently acquired *Aaditya milk*. Foods division performance was steady especially from *Kissan Range*. Segment EBIT grew strong 35% YoY to Rs3.5b while margins were flattish at 18%.

Concall Highlights:

1) *Indulekha* performance is exceeding HUVR's expectations thus exceptional items of Rs710m includes Rs570m pertaining to deferred consideration payable on account of its acquisition. 2) Effective tax rate to move up by ~100 bps for HUVR (ex GSK) as tax sops for one of its facilities expires. 3) HUVR expects to consummate recently announced acquisition of GSK Consumer by end 3QFY20 subject to pending regulatory approvals. 4) Innovation and Naturals portfolio continues to grow faster than average. 5) Premium portfolio aided Homecare and personal care business. 6) Rural markets witnessing slowdown which may continue for near term. 7) Expect competitive intensity to remain high where RM inflation is benign.

Outlook & Valuation:

Government's focus on rural economy resulting in rural wage improvements and good distribution of monsoon remains two near term key factors to watch. HUVR is focused on volume growth, new product launching and premiumisation across its product portfolio. Rising input cost inflation in certain crude linked categories and competitive intensity in others can put pressure on volumes and margins. Post cutting FY20E EPS by ~2%, we expect revenues, EBITDA & PAT to grow by 12%, 15% & 15% CAGR during FY19-21E, respectively. At CMP, stock trades at a PER of 46x FY21E EPS which is still not lucrative. **Maintain HOLD.**

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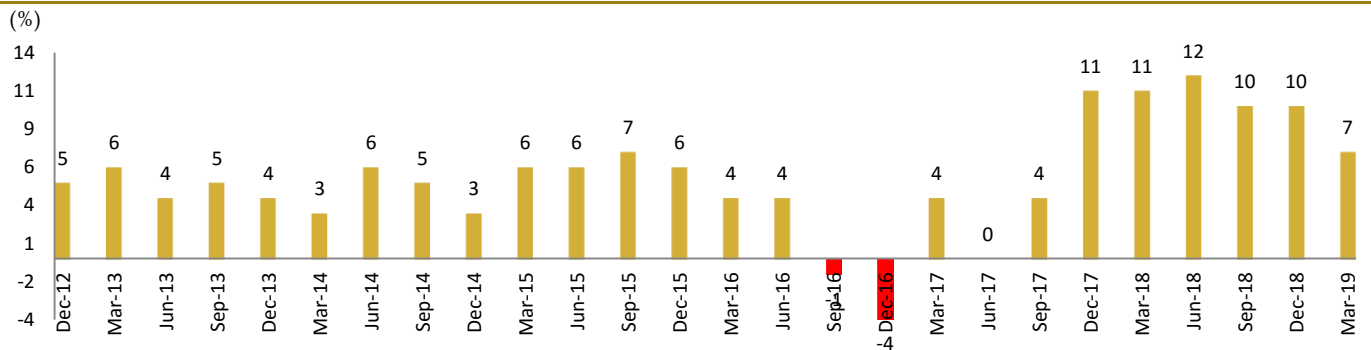


Exhibit 1: Quarterly Performance

Quarterly Snapshot (₹ mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Sales	85,290	83,090	85,900	90,970	94,870	92,340	95,580	99,450
YoY Change (%)	4.9	5.9	11.5	10.8	11.2	11.1	11.3	9.3
COGS	40,840	39,290	39,050	43,140	43,640	44,350	44,180	47,430
Gross Profit	44,450	43,800	46,850	47,830	51,230	47,990	51,400	52,020
Margin %	52.1	52.7	54.5	52.6	54.0	52.0	53.8	52.3
Operating Expenses	25,790	26,980	30,050	27,350	28,720	27,800	30,940	28,810
% to sales	30.2	32.5	35.0	30.1	30.3	30.1	32.4	29.0
EBITDA	18,660	16,820	16,800	20,480	22,510	20,190	20,460	23,210
YoY Change (%)	14.1	19.7	24.0	24.0	20.6	20.0	21.8	13.3
Margins (%)	21.9	20.2	19.6	22.5	23.7	21.9	21.4	23.3
Depreciation	1,140	1,150	1,210	1,280	1,270	1,300	1,330	1,340
Interest	60	60	50	40	70	70	70	70
Other Income	1,130	2,040	1,520	1,000	1,350	3,050	1,060	1,180
PBT	18,590	17,650	17,060	20,160	22,520	21,870	20,120	22,980
Tax	5,630	5,250	3,590	6,010	6,640	6,270	5,060	6,890
Rate (%)	30.3	29.7	21.0	29.8	29.5	28.7	25.1	30.0
Adjusted PAT	12,960	12,400	13,470	14,150	15,880	15,600	15,060	16,090
YoY Change (%)	17.5	15.1	52.4	19.5	22.5	25.8	11.8	13.7
Extraordinary Inc/(Exp)	-130	360	-210	-640	-590	-350	-620	-710
Reported Profit	12,830	12,760	13,260	13,510	15,290	15,250	14,440	15,380

Source: Company, Trust

Exhibit 2: Underlying Volume Growth Trajectory



Source: Company, Trust



Consolidated Financials

P&L Statement

Y/E Mar (₹ mn)	FY17	FY18	FY19	FY20E	FY21E
Total Revenue	3,18,886	3,45,250	3,82,240	4,34,518	4,80,630
Change (%)	2.7	8.3	10.7	13.7	10.6
EBITDA	60,457	72,760	86,370	1,00,894	1,13,810
Change (%)	5.1	20.4	18.7	16.8	12.8
Margin (%)	19.0	21.1	22.6	23.2	23.7
Depreciation	3,960	4,780	5,240	5,608	5,928
Interest	215	210	280	229	238
Fin Other Income	5,259	5,690	6,640	8,072	8,395
Profit before Taxes	61,541	73,460	87,490	1,03,129	1,16,039
Change (%)	3.0	19.4	19.1	17.9	12.5
Margin (%)	18.1	19.7	23.0	24.1	24.5
Tax	19,060	20,480	24,860	31,978	35,980
Tax Rate (%)	31.0	27.9	28.4	31.0	31.0
Profit after Taxes	42,481	52,980	62,630	71,151	80,059
Change (%)	1.9	24.7	18.2	13.6	12.5
Margin (%)	12.5	14.2	16.5	16.6	16.9
Non-rec. (Exp)/Income	2,411	-620	-2,270	0	0
Reported PAT	44,892	52,360	60,360	71,151	80,059

Balance Sheet

Balance Sheet (₹ mn)	FY17	FY18	FY19	FY20E	FY21E
Share Capital	2,160	2,160	2,160	2,160	2,160
Total Reserves	65,500	70,850	85,850	1,05,161	1,26,901
Net Worth	67,660	73,010	88,010	1,07,321	1,29,061
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	78,542	86,904	92,176
Current Liabilities	77,140	88,870	95,712	1,04,074	1,09,346
Total Liabilities	1,55,360	1,75,600	1,97,442	2,25,115	2,52,126
Net Fixed Assets	44,400	45,440	42,500	39,372	36,104
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	1,36,522	1,62,503	1,87,043
Inventory	25,410	25,130	27,822	31,628	34,984
Account Receivables	10,850	13,100	14,504	16,487	18,237
Cash and Bank Balance	18,280	34,850	50,837	71,028	90,462
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	1,97,442	2,25,115	2,52,126

**Cash flow**

Cash Flow Statement(₹ mn)	FY17	FY18	FY19	FY20E	FY21E
PBT before EO items	61,541	73,460	87,490	1,03,129	1,16,039
Add : Depreciation	3,930	3,460	5,240	5,608	5,928
Interest	215	210	280	229	238
Less : Direct taxes paid	19,060	20,480	24,860	31,978	35,980
(Inc)/Dec in WC	-7,580	-9,200	-2,747	-2,572	-166
CF from Operations	54,206	65,850	70,897	79,561	86,391
Extraordinary	2,411	-620	-2,270	0	0
CF from Op after extra	56,616	65,230	68,627	79,561	86,391
(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	-7,280	-7,529	-8,638
Inc/(Dec) in equity	-7,522	-8,130	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	-42,162	-49,780	-45,360	-51,840	-58,320
Incr/Decr of Cash	-11,810	16,570	15,987	20,192	19,433
Add: Opening Balance	30,090	18,280	34,850	50,837	71,028
Closing Balance	18,280	34,850	50,837	71,028	90,462

Key Ratios

Y/E Mar	FY17	FY18	FY19	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	10.7	13.7	10.6
EBITDA Margins (%)	19.0	21.1	22.6	23.2	23.7
Net Income Margins (%)	12.5	14.2	16.5	16.6	16.9
ROCE (%)	74.3	82.9	91.3	98.0	105.3
ROE (%)	62.8	72.6	71.2	66.3	62.0

Valuation Parameters

Y/E Mar	FY17	FY18	FY19	FY20E	FY21E
EPS (₹.)	19.7	24.5	29.0	32.9	37.1
P/E (x)	86.3	69.2	58.5	51.5	45.8
BV (₹)	31.3	33.8	40.8	49.7	59.8
P/BV (x)	54.2	50.2	41.7	34.2	28.4
EV/EBITDA (x)	59.7	49.5	41.5	35.4	31.2
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)	10.6	9.7	9.4	8.3	7.5



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