

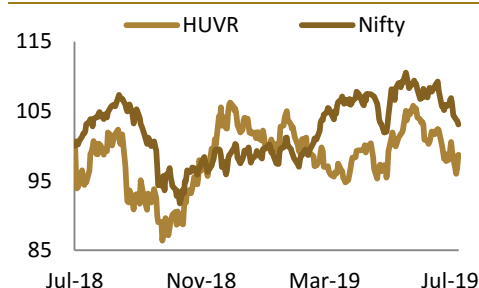
Market Statistics

Current stock price (₹)	1,729
Shares O/S (cr.)	216.5
Mcap (₹cr)	374,219
52W H/L (₹)	1,871/1,477
6m avg. volume	1,408,195
Bloomberg	HUVR IN

Shareholding pattern (%)

Promoters	67.18
Domestic Institution	6.93
Foreign Institution	12.06
Non-institution	13.83
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)	42.4	34.8	28.9
P/E (x)	59.7	52.5	46.7
EPS (₹)	29.0	32.9	37.1
EV/OCF (x)	42.3	36.0	31.8

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HUVR's 1QFY20 consolidated adjusted PAT grew 14.8% YoY to Rs17.6b tad better than our est. of Rs17.4b; strong operating performance amidst overall economic slowdown impacting popular categories. Underlying volume growth further decelerated to 5% post strong performance in last six quarters. Revenue grew 6.6% YoY to Rs101b Vs est. Rs102b. EBITDA margins however improved 244bps YoY to 26.2% mainly led by relaunches, premiumisation and benign commodity environment. HUVR commentary remained cautious as popular segment witnessing soft demand amidst weakening consumer sentiments across rural and urban India. Moderation in both urban and rural volume growth is observed amidst few channel liquidity issues led by weaker economy. Maintain HOLD.

UVG weakened to 5% and expect muted UVG in the near term

HUVR's domestic revenue growth decelerated to 6.6% YoY led by overall weak consumer sentiments amidst slowing economy and delayed monsoon. **Homecare** division (35% of total revenue) grew 10% YoY led by decent volume growth. Fabric Wash category's growth was driven by relaunching of *Rin* nationally and *Sunlight* liquid in certain geographies. Household care portfolio growth was led by mainly Central and Southern India where variants and relaunches continued to build momentum. Purifiers witnessed steady progress on reshaping portfolio and Go to Market model redesigning. Focus was on premium range. EBIT grew 16% YoY to Rs7b, while delivered highest quarterly margins; expansion of 104bps to 20.2%.

Personal Care business (46% of total) grew just 4% YoY due to weakening of overall demand. Premium brands performed steady while popular segments remained soft again. HUVR launched *Lux Botanicals* and *Pears Naturale* range nationally and introduced Fair & Lovely soap in select geographies. Skin care segment witnessed broad based growth across brands. HUVR relaunched Pond's Men range and launched FAL Ayurveda facewash and facial kits. Hair care growth was good across the range. HUVR launched new *Sunsilk* variants nationally with natural ingredients. Color cosmetics continued to lead the strong performance of the segment with consistent double-digit growth with slew of shade expansions increase traffic online and offline. HUVR launched *Elle18* Lasting Glow Compact nationally. Oral care saw acceleration in performance led by *Close Up* and *Ayush* Oral Care. Segment EBIT grew 17% YoY to Rs13.6b led by relaunches, new variants and premiumisation, while margins expanded by 323bps to 29.6%.

Foods and Beverages (19% of total revenue) grew 8% YoY secular growth across the portfolio catering to consumer palate of each cluster. Ice cream & frozen foods sustained strong growth momentum led by innovations. HUVR had rolled out a number of ice creams e.g. Aam Ras, Shahi Kulfi, etc. in earlier quarter. leveraging capabilities of its own brands and recently acquired Aaditya milk. Foods division performance was steady through market development. Segment EBIT grew strong 13.5% YoY to Rs3.8b while margins grew 72bps to 19.4%.

Concall Highlights:

1) Rural demand growing at par with Urban demand however moderation seen in both and no immediate triggers to recover volume growth. 2) Price cuts of ~4-6% undertaken in select categories of Beauty and Personal Care; higher cuts in Lux and Lifebuoy to pass on benefits of benign input costs. 3) Competitive intensity remained muted across categories resulting in lower ad-spends. 4) Merger process with GSK and Integration of acquisition of *Adityaa* Milk Ice-cream is on track. 5) Lever *Ayush* and *Close up* have done well in oral care. 6) Modern trade growing faster gaining ~15-17% share of total revenue.

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. We expect revenues, EBITDA & PAT to grow by 12%, 15% & 15% CAGR over FY19-21E, respectively. At CMP, stock trades at a PER of 46.7x FY21E EPS. **Maintain HOLD.**

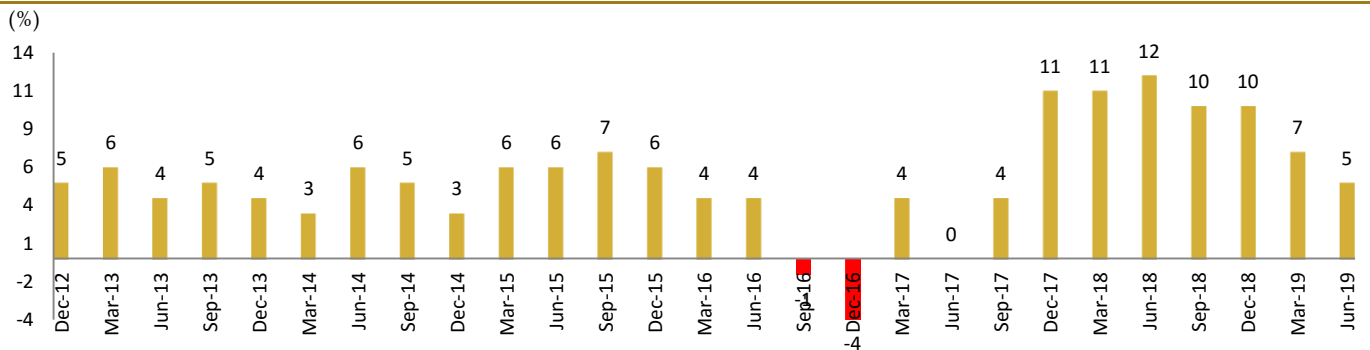


Exhibit 1: Quarterly Performance

Quarterly Snapshot (₹ mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Sales	83,090	85,900	90,970	94,870	92,340	95,580	99,450	101,140
YoY Change (%)	5.9	11.5	10.8	11.2	11.1	11.3	9.3	6.6
COGS	39,290	39,050	43,140	43,640	44,350	44,180	47,430	46,480
Gross Profit	43,800	46,850	47,830	51,230	47,990	51,400	52,020	54,660
Margin %	52.7	54.5	52.6	54.0	52.0	53.8	52.3	54.0
Operating Expenses	26,980	30,050	27,350	28,720	27,800	30,940	28,810	28,190
% to sales	32.5	35.0	30.1	30.3	30.1	32.4	29.0	27.9
EBITDA	16,820	16,800	20,480	22,510	20,190	20,460	23,210	26,470
YoY Change (%)	19.7	24.0	24.0	20.6	20.0	21.8	13.3	17.6
Margins (%)	20.2	19.6	22.5	23.7	21.9	21.4	23.3	26.2
Depreciation	1,150	1,210	1,280	1,270	1,300	1,330	1,340	2,140
Interest	60	50	40	70	70	70	70	240
Other Income	2,040	1,520	1,000	1,350	3,050	1,060	1,180	1,470
PBT	17,650	17,060	20,160	22,520	21,870	20,120	22,980	25,560
Tax	5,250	3,590	6,010	6,640	6,270	5,060	6,890	8,080
Rate (%)	29.7	21.0	29.8	29.5	28.7	25.1	30.0	31.6
Adjusted PAT	12,400	13,470	14,150	15,880	15,600	15,060	16,090	17,480
YoY Change (%)	15.1	52.4	19.5	22.5	25.8	11.8	13.7	10.1
Extraordinary Inc/(Exp)	360	-210	-640	-590	-350	-620	-710	70
Reported Profit	12,760	13,260	13,510	15,290	15,250	14,440	15,380	17,550

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)	87.9	70.5	59.7	52.5	46.7
BV (₹)	31.3	33.8	40.8	49.7	59.8
P/BV (x)	55.2	51.2	42.4	34.8	28.9
EV/EBITDA (x)	60.9	50.5	42.3	36.0	31.8
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)	10.8	9.9	9.6	8.5	7.6



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