

September 22, 2021

Company Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,915		2,915	
Sales (Rs. m)	5,65,013	6,25,442	5,65,013	6,25,442
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,45,866	1,67,263	1,45,866	1,67,263
% Chng.	-	-	-	-
EPS (Rs.)	45.3	52.8	45.3	52.8
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	460	509	565	625
EBITDA (Rs. bn)	113	125	146	167
Margin (%)	24.6	24.6	25.8	26.7
PAT (Rs. bn)	82	90	107	124
EPS (Rs.)	34.8	38.3	45.3	52.8
Gr. (%)	8.4	9.9	18.5	16.3
DPS (Rs.)	37.5	33.0	38.0	44.0
Yield (%)	1.3	1.2	1.4	1.6
RoE (%)	29.5	18.7	21.5	24.1
RoCE (%)	37.2	23.8	27.0	30.0
EV/Sales (x)	14.1	12.7	11.4	10.2
EV/EBITDA (x)	57.2	51.4	44.0	38.2
PE (x)	80.0	72.8	61.4	52.8
P/BV (x)	13.8	13.4	13.0	12.4

Key Data

HLL.BO | HUVR IN

52-W High / Low	Rs.2,859 / Rs.2,000
Sensex / Nifty	58,927 / 17,547
Market Cap	Rs.6,542bn/ \$ 88,571m
Shares Outstanding	2,350m
3M Avg. Daily Value	Rs.7599.51m

Shareholding Pattern (%)

Promoter's	61.90
Foreign	15.11
Domestic Institution	10.75
Public & Others	12.24
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.3	18.3	37.4
Relative	(0.2)	(0.1)	(12.0)

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Resilient Demand, Peaked out Inflation

We expect HUVR to witness MoM improvement in demand since June-21 aided by resilient Rural demand and improving Urban demand. Inflation in Palmoil and Crude is likely to pressurize margins, however the intensity will be likely lower than 1Q22. Calibrated price hikes will not be sufficient to ward off the inflation in input costs and higher intensity in ad-spends. We estimate 8% volume and 4% growth in realisations during 2QFY22. EBIDTA and PAT is estimated to grow at 9.4% (Rs.31.4bn) and 9.3% (Rs22.3bn).

HUVR's strategy to introduce consumers to bottom of pyramid products and then moving them up to premium products will continue providing competitive growth. Increased focus on technology will allow HUVR to gain digital edge over its peers and improve growth in emerging channels.

We believe worst is over in margin pressures led by higher prices and peaked out input costs. We estimate 15% PAT CAGR over FY21-24 and arrive at DCF based target price of Rs2915. Although recent upsurge in stock price limits near term gains, we recommend accumulating HUL for Long term.

Key Takeaways:

- Rural demand is resilient aided by good Rabi crop, high MSP and pickup in kharif sowing as monsoons picked up in last fortnight.
- Improved mobility in Urban areas on account of easing of lockdown restrictions is benefitting demand, GT is sustaining growth, MT is also picking up.
- Consumer sentiment is still weak although future expectations are improving
- Overall Demand for HUL products is expected to remain upbeat with MoM improvement since June-21.
- Inflation in Palmoil and Crude continues, however tea prices have softened sequentially (remain higher than FY20 levels).
- Price increase of ~3.5-14% (channel checks) taken in skin cleansing and laundry segment to ward off commodity inflation.
- Tailwinds enjoyed by hand & hygiene during FY21 have started to taper.
- OOH/ discretionary demand is improving on account of improved mobility but continues to remain below FY20 levels.
- GTM integration of nutrition business on track.

Exhibit 1: Q1FY22 Results (Rs m): Volumes up 9%, EBITDA margins decline 110bps

Y/e March	1QFY22	1QFY22	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
Net Sales	1,19,150	1,05,600	12.8	1,21,320	4,59,960	3,87,850	18.6
Gross Profit	60,100	54,730	9.8	63,760	2,43,190	2,09,920	15.8
<i>% of NS</i>	<i>50.4</i>	<i>51.8</i>		<i>52.6</i>	<i>52.9</i>	<i>54.1</i>	
A&P Exp.	10,240	7,970	28.5	14,130	47,370	46,860	1.1
<i>% of NS</i>	<i>8.6</i>	<i>7.5</i>		<i>11.6</i>	<i>10.3</i>	<i>12.1</i>	
EBITDA	28,470	26,440	7.7	29,570	1,13,240	96,000	18.0
<i>Margins</i>	<i>23.9</i>	<i>25.0</i>		<i>24.4</i>	<i>24.6</i>	<i>24.8</i>	
Depreciation	2,440	2,420	0.8	2,490	10,120	9,380	7.9
EBIT	26,030	24,020	8.4	27,080	1,03,120	86,620	19.0
Interest	110	290	(62.1)	90	1,080	1,060	1.9
Other Income	670	1,560	(57.1)	1,090	5,130	7,330	(30.0)
PBT	26,590	25,290	5.1	28,080	1,07,170	92,890	15.4
Tax	6,970	6,560	6.3	7,050	27,550	25,460	8.2
<i>Tax Rate (%)</i>	<i>26.2</i>	<i>25.9</i>		<i>25.1</i>	<i>25.7</i>	<i>27.4</i>	
Adjusted PAT	19,620	18,730	4.8	21,030	79,620	67,430	18.1
Extraordinary	(900)	120		470	10	(940)	
Reported Profit	18,720	18,850	(0.7)	21,500	79,630	66,490	19.8

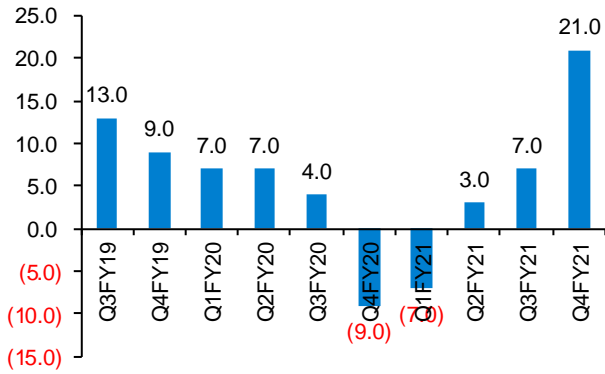
Source: Company, PL

Exhibit 2: 1Q22 performance was driven by double digit growth across all segments

Quarterly Segmental	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Net Sales (Rs m)	1,01,140	98,520	98,080	90,110	1,05,600	1,14,420	1,18,620	1,21,320	1,19,150
Home Care	34,650	33,710	34,560	33,500	33,920	33,180	34,090	38,400	37,970
Personal Care	45,890	45,430	44,120	38,010	40,390	45,350	48,410	45,490	45,730
Foods & Refreshment	19,500	18,470	18,650	17,880	29,580	33,790	33,560	35,110	33,190
Others	1,100	910	750	720	1,710	2,100	2,560	2,320	2,260
Sales Growth %	6.6	6.7	2.6	(9.4)	4.4	16.1	20.9	34.6	12.8
Home Care	10.1	9.4	9.8	(4.3)	(2.1)	(1.6)	(1.4)	14.6	11.9
Personal Care	4.1	5.3	(2.8)	(13.5)	(12.0)	(0.2)	9.7	19.7	13.2
Foods & Refreshment	9.2	8.4	7.9	(6.7)	51.7	82.9	79.9	96.4	12.2
Others	(26.2)	(32.1)	(47.6)	(46.3)	55.5	130.8	241.3	222.2	32.2
EBIT (Rs m)	24,380	22,060	22,130	18,100	24,020	26,200	25,820	27,080	26,030
Home Care	6,990	5,950	6,290	6,360	6,370	6,780	6,460	8,120	6,620
Personal Care	13,580	13,150	12,520	9,450	11,340	13,280	14,130	12,520	12,870
Foods & Refreshment	3,790	2,940	3,340	2,250	5,820	5,590	4,730	5,750	6,000
Others	20	20	-20	40	490	550	500	690	540
EBIT Growth %	16.3	16.3	22.5	(17.2)	(1.5)	18.8	16.7	49.6	8.4
Home Care	16.1	20.9	55.7	2.7	(8.9)	13.9	2.7	27.7	3.9
Personal Care	16.9	17.9	7.7	(22.5)	(16.5)	1.0	12.9	32.5	13.5
Foods & Refreshment	13.5	2.1	36.9	(35.0)	53.6	90.1	41.6	155.6	3.1
Others	(200.0)	0.0	(33.3)	100.0	2,350.0	2,650.0	(2,600.0)	1,625.0	10.2
EBIT Margin %	24.1	22.4	22.6	20.1	22.7	22.9	21.8	22.3	21.8
Home Care	20.2	17.7	18.2	19.0	18.8	20.4	18.9	21.1	17.4
Personal Care	29.6	28.9	28.4	24.9	28.1	29.3	29.2	27.5	28.1
Foods & Refreshment	19.4	15.9	17.9	352.8	16.9	17.8	164.6	18.1	18.1
Others	1.8	2.2	(2.7)	5.6	28.7	26.2	19.5	29.7	23.9

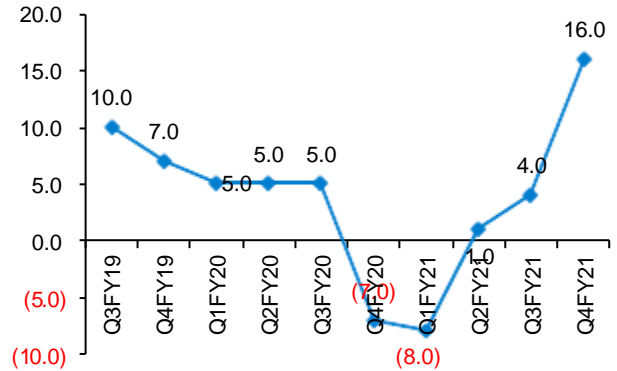
Source: Company, PL

Exhibit 3: Comparable Domestic FMCG sales grew 12.8%



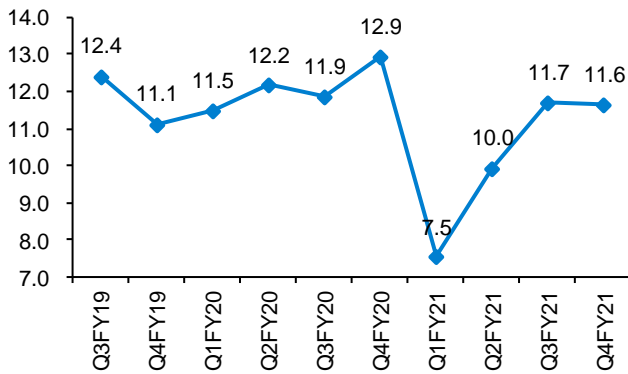
Source: Company, PL

Exhibit 4: Volumes increased 9% in 1Q



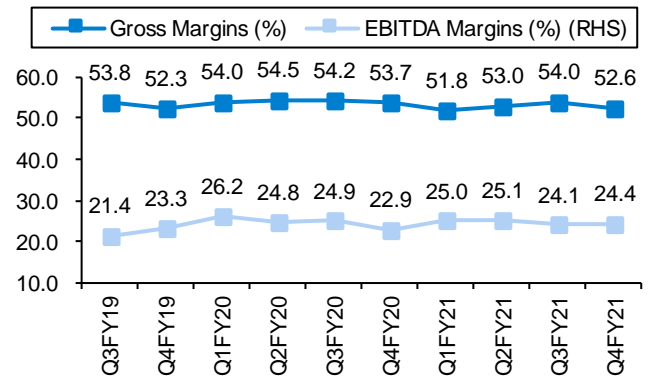
Source: Company, PL

Exhibit 5: Ad-spends up 100bps YoY



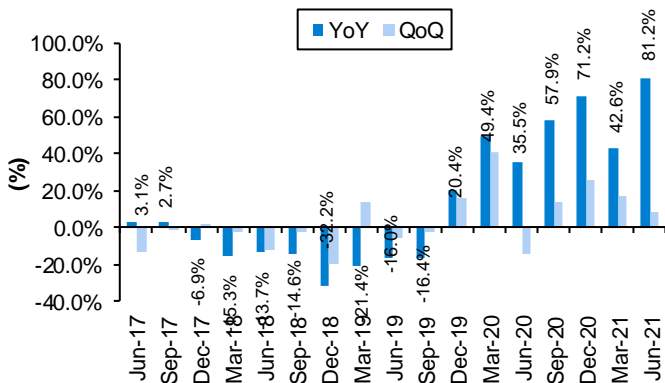
Source: Company, PL

Exhibit 6: GM down 140bps, EBITDA margin down 110bps



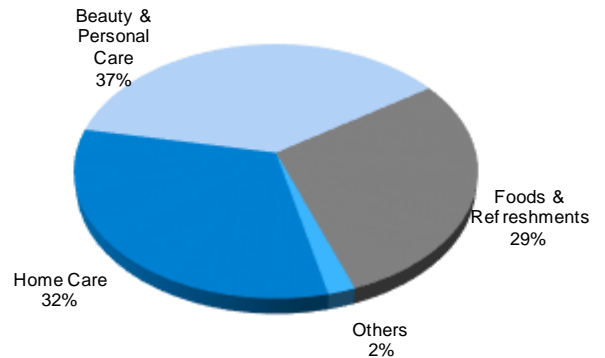
Source: Company, PL

Exhibit 7: PFAD prices up 81.2% YoY and 8.2% QoQ



Source: Company, PL

Exhibit 8: GSK-merger leads to rise in FR contribution



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	4,59,960	5,09,256	5,65,013	6,25,442
YoY gr. (%)	18.6	10.7	10.9	10.7
Cost of Goods Sold	2,16,770	2,40,126	2,62,247	2,85,586
Gross Profit	2,43,190	2,69,130	3,02,766	3,39,856
Margin (%)	52.9	52.8	53.6	54.3
Employee Cost	22,290	24,602	25,670	29,121
Other Expenses	70	1,811	1,916	2,028
EBITDA	1,13,240	1,25,470	1,45,866	1,67,263
YoY gr. (%)	18.0	10.8	16.3	14.7
Margin (%)	24.6	24.6	25.8	26.7
Depreciation and Amortization	10,120	11,043	11,843	12,814
EBIT	1,03,120	1,14,428	1,34,023	1,54,449
Margin (%)	22.4	22.5	23.7	24.7
Net Interest	1,080	1,296	1,599	1,879
Other Income	5,130	6,294	8,158	10,991
Profit Before Tax	1,07,170	1,19,426	1,40,582	1,63,561
Margin (%)	23.3	23.5	24.9	26.2
Total Tax	25,360	29,498	34,021	39,582
Effective tax rate (%)	23.7	24.7	24.2	24.2
Profit after tax	81,810	89,928	1,06,562	1,23,979
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	81,810	89,928	1,06,562	1,23,979
YoY gr. (%)	18.0	9.9	18.5	16.3
Margin (%)	17.8	17.7	18.9	19.8
Extra Ord. Income / (Exp)	(2,270)	500	500	500
Reported PAT	79,540	90,428	1,07,062	1,24,479
YoY gr. (%)	18.0	13.7	18.4	16.3
Margin (%)	17.3	17.8	18.9	19.9
Other Comprehensive Income	210	(200)	(200)	(200)
Total Comprehensive Income	79,750	90,228	1,06,862	1,24,279
Equity Shares O/s (m)	2,350	2,350	2,350	2,350
EPS (Rs)	34.8	38.3	45.3	52.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	3,68,760	3,87,098	3,96,428	4,06,719
Tangibles	88,640	1,06,978	1,16,308	1,26,599
Intangibles	2,80,120	2,80,120	2,80,120	2,80,120
Acc: Dep / Amortization	31,650	42,693	54,536	67,349
Tangibles	30,780	41,573	53,166	65,729
Intangibles	870	1,120	1,370	1,620
Net fixed assets	3,37,110	3,44,405	3,41,893	3,39,369
Tangibles	57,860	65,405	63,143	60,869
Intangibles	2,79,250	2,79,000	2,78,750	2,78,500
Capital Work In Progress	6,230	2,800	2,800	2,800
Goodwill	1,73,160	1,73,160	1,73,160	1,73,160
Non-Current Investments	13,400	7,528	7,745	7,974
Net Deferred tax assets	(59,860)	(60,696)	(61,680)	(62,825)
Other Non-Current Assets	13,810	15,170	16,775	18,506
Current Assets				
Investments	43,020	50,000	65,000	85,000
Inventories	33,830	35,750	38,119	41,200
Trade receivables	16,480	17,188	18,297	19,418
Cash & Bank Balance	27,020	47,146	61,410	76,050
Other Current Assets	5,430	6,111	6,780	7,505
Total Assets	6,81,160	7,11,472	7,44,949	7,84,713
Equity				
Equity Share Capital	2,350	2,350	2,350	2,350
Other Equity	4,71,990	4,84,731	5,02,355	5,23,295
Total Network	4,74,340	4,87,081	5,04,705	5,25,645
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	15,510	16,481	17,560	19,515
Other non current liabilities	1,870	2,010	2,161	2,323
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	86,270	94,735	1,02,743	1,11,887
Other current liabilities	22,140	23,511	25,585	27,929
Total Equity & Liabilities	6,81,160	7,11,473	7,44,949	7,84,713

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,07,170	1,19,426	1,40,581	1,63,561
Add. Depreciation	6,550	6,759	7,319	7,879
Add. Interest	-	-	-	-
Less Financial Other Income	-	-	-	-
Add. Other	(2,060)	300	300	300
Op. profit before WC changes	1,11,660	1,26,485	1,48,200	1,71,739
Net Changes-WC	78,180	7,432	5,653	7,201
Direct tax	(25,360)	(29,498)	(34,021)	(39,582)
Net cash from Op. activities	1,64,480	1,04,419	1,19,832	1,39,359
Capital expenditures	(4,67,360)	(2,142)	(5,903)	(6,177)
Interest / Dividend Income	-	-	-	-
Others	(35,660)	(1,108)	(15,218)	(20,229)
Net Cash from Inv. activities	(5,03,020)	(3,250)	(21,121)	(26,406)
Issue of share cap. / premium	4,02,045	53	54	55
Debt changes	3,140	4,925	3,694	4,205
Dividend paid	(88,110)	(77,540)	(89,290)	(1,03,390)
Interest paid	-	-	-	-
Others	346	(8,481)	1,096	818
Net cash from Fin. activities	3,17,421	(81,044)	(84,446)	(98,312)
Net change in cash	(21,120)	20,126	14,265	14,641
Free Cash Flow	(3,02,880)	1,02,277	1,13,929	1,33,181

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	1,14,420	1,18,620	1,21,320	1,19,150
YoY gr. (%)	16.1	20.9	34.6	12.8
Raw Material Expenses	53,750	54,590	57,560	59,050
Gross Profit	60,670	64,030	63,760	60,100
Margin (%)	53.0	54.0	52.6	50.4
EBITDA	28,690	28,540	29,570	28,470
YoY gr. (%)	17.4	16.7	43.2	7.7
Margin (%)	25.1	24.1	24.4	23.9
Depreciation / Depletion	2,490	2,720	2,490	2,440
EBIT	26,200	25,820	27,080	26,030
Margin (%)	22.9	21.8	22.3	21.8
Net Interest	290	410	90	110
Other Income	1,510	970	1,090	670
Profit before Tax	27,420	26,380	28,080	26,590
Margin (%)	24.0	22.2	23.1	22.3
Total Tax	7,070	6,870	7,050	6,970
Effective tax rate (%)	25.8	26.0	25.1	26.2
Profit after Tax	20,350	19,510	21,030	19,620
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	20,350	19,510	21,030	19,620
YoY gr. (%)	11.1	15.4	43.2	4.8
Margin (%)	17.8	16.4	17.3	16.5
Extra Ord. Income / (Exp)	(260)	(420)	400	(990)
Reported PAT	20,090	19,090	21,430	18,630
YoY gr. (%)	8.7	18.1	41.1	(1.0)
Margin (%)	17.6	16.1	17.7	15.6
Other Comprehensive Income	(70)	170	70	90
Total Comprehensive Income	20,020	19,260	21,500	18,720
Avg. Shares O/s (m)	2,350	2,164	2,164	2,350
EPS (Rs)	8.7	9.0	9.7	8.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	34.8	38.3	45.3	52.8
CEPS	39.1	43.0	50.4	58.2
BVPS	201.8	207.3	214.8	223.7
FCF	(128.9)	43.5	48.5	56.7
DPS	37.5	33.0	38.0	44.0
Return Ratio(%)				
RoCE	37.2	23.8	27.0	30.0
ROIC	38.0	22.5	27.5	33.1
RoE	29.5	18.7	21.5	24.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	(29)	(30)	(30)	(30)
Valuation(x)				
PER	80.0	72.8	61.4	52.8
P/B	13.8	13.4	13.0	12.4
P/CEPS	71.2	64.8	55.3	47.8
EV/EBITDA	57.2	51.4	44.0	38.2
EV/Sales	14.1	12.7	11.4	10.2
Dividend Yield (%)	1.3	1.2	1.4	1.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Sep-21	Accumulate	2,915	2,811
2	22-Jul-21	Accumulate	2,535	2,378
3	05-Jul-21	BUY	2,562	2,487
4	30-Apr-21	BUY	2,562	2,408
5	07-Apr-21	BUY	2,509	2,400
6	27-Jan-21	BUY	2,502	2,391
7	07-Jan-21	BUY	2,502	2,417
8	20-Oct-20	BUY	2,502	2,173
9	08-Oct-20	Hold	2,254	2,161

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,110	1,060
4	Britannia Industries	Accumulate	3,911	3,505
5	Burger King India	BUY	250	172
6	Colgate Palmolive	Accumulate	1,846	1,710
7	Crompton Greaves Consumer Electricals	BUY	518	468
8	Dabur India	Hold	588	614
9	Emami	Accumulate	624	573
10	Havells India	Accumulate	1,226	1,151
11	Hindustan Unilever	Accumulate	2,915	2,811
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	661	628
15	Marico	Hold	525	547
16	Mold-tek Packaging	BUY	598	510
17	Nestle India	Accumulate	19,290	18,023
18	Pidilite Industries	Reduce	1,904	2,221
19	Titan Company	Accumulate	1,916	1,800
20	Voltas	Hold	1,014	1,025
21	Westlife Development	BUY	603	512

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Mr. Heet Vora- CA, Ms. Rashi Vora- B.Com, CFA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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