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Consum. Staples  
HUVR IN  
500696

## Health & hygiene and Nutrition business will drive growth in medium term

RATING	HOLD
CMP	2319
Price Target	2350
Potential Upside	1%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	2614/1660
Mkt Capital (Rs Cr)	544,884
Free float (%)	33%
Avg. Vol 1M (,000)	120
No. of Shares (Crs)	235
Promoters Pledged %	NA

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### 1QFY21 Result update

- HINDUNILVR numbers in 1QFY21 remained better than our expectations; Sales grew by 4.4% YoY to Rs. 10560 cr. The Company witnessed underlying volume de-growth of 8% YoY in 1QFY21. The company's health, hygiene and nutrition segment which contributes to the extent of ~80% of the business grew by 6% YoY while remaining 20% portfolio which includes discretionary portfolio de-grew adversely dragging down the volume number.
- The Company's major division's namely Home and personal care de-grew by 2%/12% YoY respectively while increasefoods & refreshment grew by 52% YoY in 1QFY21.
- The Company's Gross margin declined by 222 bps to 51.8% YoY impacted on account of adverse product mix, input inflation in vegetable oil, tomato paste while also the company was unable to take the benefit of benign crude prices due to high cost inventory. EBITDA margin contracted by 113 bps to 25% YoY led by steep reduction in Ad &P expense while employee expense increased on account of high employee cost in nutrition business.
- In 1QFY21, the Company launched over 50 innovative products like Lifebuoy germ spray, sanitizers, domex disinfectant spray and also reformulated full Horlicks portfolio in health and hygiene segment to cater to the rising demand amidst Pandemic.
- The Company's PAT grew by 7.2% YoY to Rs. 1881 cr. with a PAT margin of 17.8% in 1QFY20. The company received benefit of prior period assessment to the extent of Rs. 96 cr. during the quarter while exceptional item to the extent of Rs. 118 cr. was on account of expenditure for stamp duty and integration cost of GSK and V wash portfolio.

### View and Valuation

In 1QFY21, HINDUNILVR numbers remained positive while volumes remained under stress due to stress in the discretionary portfolio. The Company is witnessing higher demand in its food and refreshment, homecare, hygiene and nutrition categories are expected to perform better led by increased in-home consumption, consumer higher divergence towards sanitization and increased use of immunity boosting elements. Going forward distribution will remain the concern due to extension of regional lock downs amidst rising COVID cases. On margin front, the company is witnessing input inflation in some of the key inputs like tea, tomato paste, veg. oil while benign crude and SMP prices coupled with judicious price hike will provide some cushion to margins. Employee expenses are expected to remain high due to high employee cost on nutrition business while A&P is expected to remain at a reduced level amidst pandemic. Going forward, we remain positive on the stock in the long-run. However, considering the current scenario of increasing rate of spread of disease and local lockdowns we have maintained HOLD rating with a target price of Rs. 2350.

### Key Risks to our rating and target

- Further increase in Lockdown situation.
- High Volatility in input prices and crude & currencies.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	33162	35545	39310	39783	44761
EBITDA	6340	7499	8880	9861	10538
EBIT	5908	6979	8315	8859	9584
PAT	4490	5227	6060	6756	7522
EPS (Rs)	21	24	28	31	32
EPS growth (%)	8%	16%	16%	11%	3%
ROE (%)	67%	72%	77%	82%	19%
ROCE (%)	88%	96%	106%	108%	24%
BV	31	34	36	38	173
P/B (X)	27.2	45.5	46.6	60.5	13.4
P/E (x)	40.9	63.4	60.5	73.6	72.4

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## 1QFY21 Results

### Better than expectation

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	10,114	9,852	9,808	9,011	10,560	4.4%	17.2%	39,310	39,783	1.2%
Other Income	147	180	140	266	156	6.1%	-41.4%	550	632	14.9%
COGS	4,648	4,485	4,490	4,170	5,087	9.4%	22.0%	18,474	18,259	-1.2%
Gross Margin	54%	54%	54%	54%	52%	-2.2%	-1.9%	53%	54%	1.1%
Empl. Cost	452	430	454	355	592	31.0%	66.8%	1,875	1,820	-2.9%
Ad. Expense	1,161	1,198	1,163	1,164	797	-31.4%	-31.5%	4,607	4,607	0.0%
Other Exp.	1,206	1,296	1,256	1,257	1,440	19.4%	14.6%	5,474	5,474	0.0%
EBITDA	2,647	2,443	2,445	2,065	2,644	-0.1%	28.0%	8,880	9,861	11.0%
EBITDA Mar.	26%	25%	25%	23%	25%	-1.1%	2.1%	23%	25%	2.2%
Depreciation	214	237	232	255	242	13.1%	-5.1%	565	1,002	77.3%
EBIT	2,433	2,206	2,213	1,810	2,402	-1.3%	32.7%	8,315	8,859	6.5%
Interest	24	31	25	26	29	20.8%	11.5%	33	118	257.6%
PBT	2,563	2,308	2,229	1,992	2,411	-5.9%	21.0%	8,832	9,373	6.1%
Excep. Item	7	(47)	(99)	(58)	(118)	-1785.7%	103.4%	(228)	(200)	-12.3%
Tax	808	460	613	473	530	-34.4%	12.1%	2,544	2,409	-5.3%
PAT	1,755	1,848	1,616	1,519	1,881	7.2%	23.8%	6,060	6,756	11.5%
PAT Margin	17%	19%	16%	17%	18%	0.5%	1.0%	15%	17%	1.6%

## Segment Growth

SEGMENTS	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Home care	3%	12%	15%	13%	10%	9%	10%	-4%	-2%
Beauty & Personal care	1%	10%	11%	7%	4%	5%	-3%	-13%	-12%
Foods & ref.	10%	13%	10%	12%	9%	8%	8%	-7%	52%
Others	-11%	-11%	-24%	-30%	-26%	-32%	-48%	-46%	55%

## Concall Highlights

### 4QFY20 Result Update:

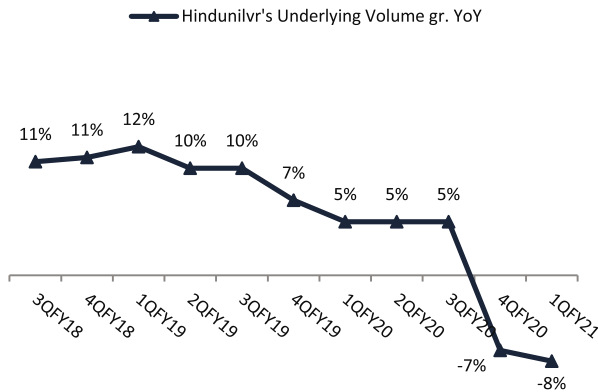
- The Company's underlying volumes declined by 8% in 1QFY21.
- Other operating income increased by 18 bps on account of service income from OTC business of GSKCONS.
- In 1QFY21, Positive impact from nutrition on cost front reduced the cost inflation in 1QFY21 as the company witnessed commodity headwinds in its base business with inflation in vegetable oil, tomato paste while benefit of benign crude prices was also not utilised due to high cost inventory.
- The Company is paying for IT and transition services for GSKCONS portfolio which will appear for 1 year.
- On Tax line the company received benefit of prior period assessment to the extent of Rs. 96 cr. in 1QFY21.
- The increase in exceptional cost was on account of M&A for stamp duty and integration cost of GSK portfolio and V wash.
- E-commerce and general trade channels performed well during the quarter while modern trade channel remained impacted due to shut down of malls.
- The Company had lost distribution pipeline of 6% in Mar-20 but have gained the same back in June-20.

### Management Guidance

- The Company is focusing on competitive volume growth for FY21.
- The Company's skin cleansing segment is expected to recover and is showing green shoots while color cosmetic and deodorant will remain muted for some time on account of people staying at home.
- The Company will take judicious price increase in parts of the tea portfolio vis-à-vis will also pass the benefit of benign crude prices to the consumers.
- The Company do not expect the demand for sanitizers to sustain in long run as the COVID-19 level and also expects the consumer shift towards hand wash liquids and Soaps in long run.
- Supply remain the challenge with vertical and local lockdown in different parts of India.

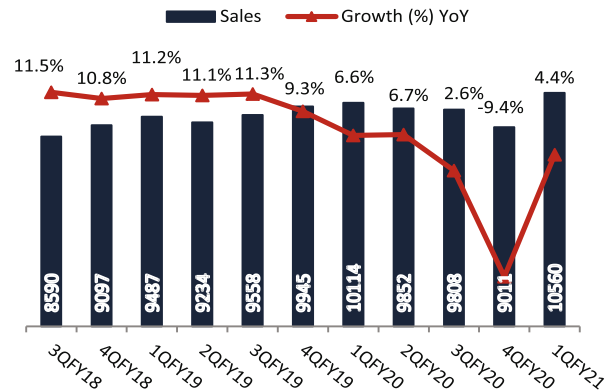
## Exhibit: Volume growth (%)

Volume remained impacted on account of company's discretionary portfolio which remained adversely impacted amidst COVID-19.



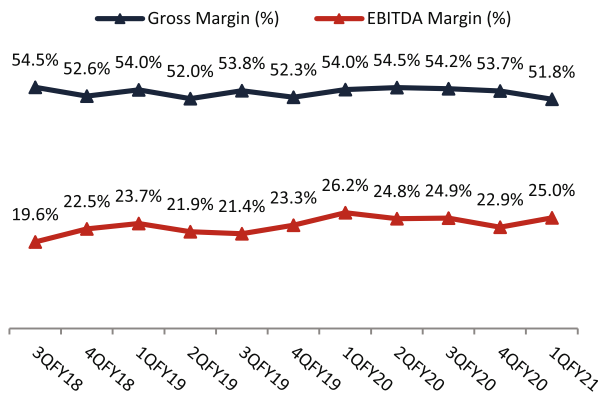
## Exhibit: Sales and Sales Growth (%)

Sales growth led by strong growth in foods portfolio led by increased in-home consumption amidst pandemic.



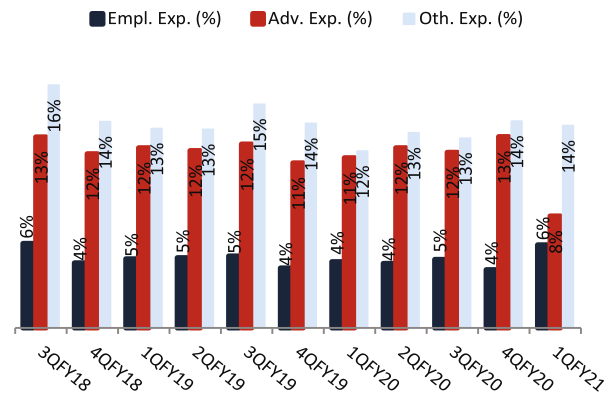
## Exhibit: Gross and EBITDA Margin (%)

EBITDA margin contraction on account of higher employee and other expense.



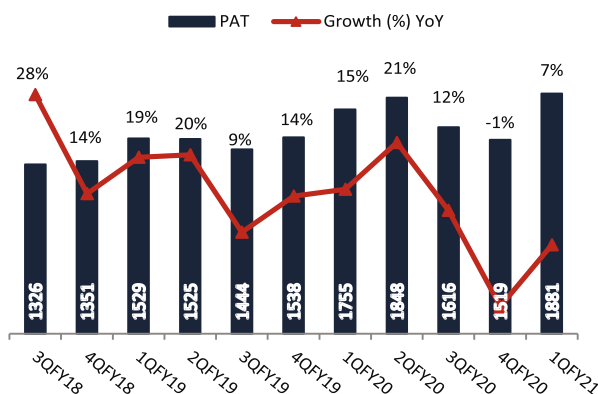
## Exhibit: Trend in Expenses (%)

Employ. and other exp. increased by 114/171 bps while Ad & P exp. declined by 393 bps amidst pandemic.



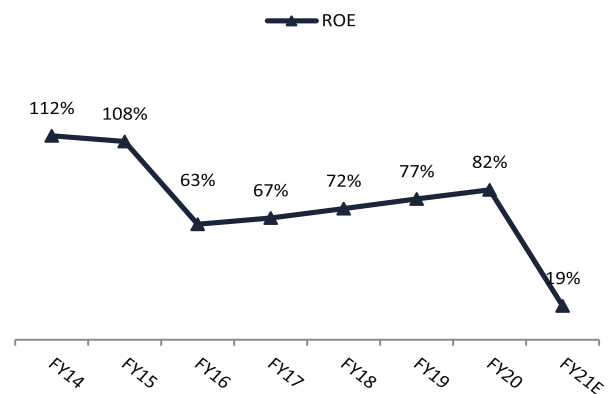
## Exhibit: PAT and PAT Growth (%)

PAT grew by 7.2% YoY to Rs. 1881 cr. while PAT margin stood at 17.8% in 1QFY21.



## Exhibit: ROE (%)

ROE is expected to be at 19% in FY21.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	216	216	216	216	216	216	216	235
Reserves	3,321	3,805	6,357	6,528	7,065	7,651	8,013	40,293
<b>Networth</b>	<b>3,537</b>	<b>4,022</b>	<b>6,573</b>	<b>6,744</b>	<b>7,281</b>	<b>7,867</b>	<b>8,229</b>	<b>40,528</b>
Debt	46	43	177	277	-	99	-	-
Other Non Current Liab	1,269	1,172	1,134	1,226	1,674	2,077	2,590	2,749
<b>Total Capital Employed</b>	<b>3,583</b>	<b>4,065</b>	<b>6,750</b>	<b>7,021</b>	<b>7,281</b>	<b>7,966</b>	<b>8,229</b>	<b>40,528</b>
Net Fixed Assets (incl CWIP)	3,038	3,256	3,585	4,567	4,908	5,004	5,959	7,841
Non Current Investments	380	324	-	-	2	-	-	-
Other Non Current Assets	3,846	4,125	4,449	5,488	6,200	6,715	7,832	41,260
<b>Non Current Assets</b>	<b>4,226</b>	<b>4,449</b>	<b>4,449</b>	<b>5,488</b>	<b>6,202</b>	<b>6,715</b>	<b>7,832</b>	<b>41,260</b>
Inventory	2,940	2,849	2,726	2,541	2,513	2,574	2,767	3,615
Debtors	1,017	1,011	1,264	1,085	1,310	1,816	1,149	1,708
Cash & Bank	2,516	2,689	3,009	1,828	3,485	3,757	5,113	3,035
Other Current Assets	3,055	3,433	3,346	4,764	4,352	3,767	3,292	6,102
<b>Current Assets</b>	<b>9,528</b>	<b>9,982</b>	<b>10,345</b>	<b>10,218</b>	<b>11,660</b>	<b>11,914</b>	<b>12,321</b>	<b>14,459</b>
Creditors	5,825	5,507	5,685	6,186	7,170	7,206	7,535	9,504
Provisions	2,088	2,709	293	392	688	523	422	772
Other Current Liabilities	967	953	912	859	1,029	839	1,360	2,149
<b>Curr Liabilities</b>	<b>8,880</b>	<b>9,169</b>	<b>6,890</b>	<b>7,437</b>	<b>8,887</b>	<b>8,568</b>	<b>9,317</b>	<b>12,425</b>
<b>Net Current Assets</b>	<b>649</b>	<b>813</b>	<b>3,455</b>	<b>2,781</b>	<b>2,773</b>	<b>3,346</b>	<b>3,004</b>	<b>2,034</b>
<b>Total Assets</b>	<b>13,754</b>	<b>14,431</b>	<b>14,794</b>	<b>15,706</b>	<b>17,862</b>	<b>18,629</b>	<b>20,153</b>	<b>55,719</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Revenue from Operation</b>	<b>29,234</b>	<b>31,972</b>	<b>32,186</b>	<b>33,162</b>	<b>35,545</b>	<b>39,310</b>	<b>39,783</b>	<b>44,761</b>
Change (%)	8%	9%	1%	3%	7%	11%	1%	13%
<b>EBITDA</b>	<b>4,746</b>	<b>5,414</b>	<b>6,020</b>	<b>6,340</b>	<b>7,499</b>	<b>8,880</b>	<b>9,861</b>	<b>10,538</b>
Change (%)	13%	14%	11%	5%	18%	18%	11%	7%
Margin (%)	16%	17%	19%	19%	21%	23%	25%	24%
Depr & Amor.	296	322	353	432	520	565	1,002	954
<b>EBIT</b>	<b>4,450</b>	<b>5,091</b>	<b>5,667</b>	<b>5,908</b>	<b>6,979</b>	<b>8,315</b>	<b>8,859</b>	<b>9,584</b>
Int. & other fin. Cost	41	18	17	35	26	33	118	107
Other Income	570	567	423	369	384	550	632	649
<b>EBT</b>	<b>4,980</b>	<b>5,640</b>	<b>6,073</b>	<b>6,242</b>	<b>7,337</b>	<b>8,832</b>	<b>9,373</b>	<b>10,126</b>
Exp Item	236	679	(31)	237	(33)	(228)	(200)	(118)
Tax	1,259	1,944	1,875	1,977	2,079	2,544	2,409	2,486
Minority Int & P/L share of Ass.	(10)	(12)	-	-	-	-	-	-
Reported PAT	3,946	4,363	4,151	4,490	5,227	6,060	6,756	7,522
<b>Adjusted PAT</b>	<b>3,770</b>	<b>3,918</b>	<b>4,172</b>	<b>4,328</b>	<b>5,251</b>	<b>6,222</b>	<b>6,905</b>	<b>7,611</b>
Change (%)	3%	11%	-5%	8%	16%	16%	11%	11%
Margin(%)	<b>13%</b>	<b>14%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>17%</b>	<b>17%</b>

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	112%	108%	63%	67%	72%	77%	82%	19%
ROCE	126%	126%	86%	88%	96%	106%	108%	24%
Asset Turnover	2	2	2	2	2	2	2	1
Debtor Days	13	12	14	12	13	17	11	14
Inv Days	37	33	31	28	26	24	25	29
Payable Days	73	63	64	68	74	67	69	78
Int Coverage	109	288	333	169	268	252	75	90
P/E	33	31	44	41	63	60	74	72
Price / Book Value	37	34	28	27	45	47	60	13
EV/EBITDA	27	24	30	29	44	41	50	51
FCF per Share	15	12	16	17	24	23	31	28
Div Yield	2.2%	2.4%	1.8%	1.9%	1.2%	1.2%	1.0%	1.1%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	4,980	5,640	6,058	6,229	7,304	8,604	9,173	10,008
(inc)/Dec in Working Capital	405	(342)	(81)	715	836	(342)	411	871
Non Cash Op Exp	326	391	373	455	591	641	977	954
Int Paid (+)	41	18	17	35	26	33	118	107
Tax Paid	(1,384)	(2,030)	(1,765)	(1,859)	(2,264)	(2,767)	(2,505)	(2,486)
others	(549)	(553)	(431)	(390)	(434)	(369)	(551)	-
<b>CF from Op. Activities</b>	<b>3,818</b>	<b>3,124</b>	<b>4,171</b>	<b>5,185</b>	<b>6,059</b>	<b>5,800</b>	<b>7,623</b>	<b>9,454</b>
(inc)/Dec in FA & CWIP	(584)	(573)	(772)	(1,452)	(878)	(754)	(810)	(34,061)
Free Cashflow	3,234	2,551	3,399	3,733	5,181	5,046	6,813	6,618
(Pur)/Sale of Inv	(425)	404	271	(1,132)	1,042	326	1,600	(2,247)
others	535	475	219	1,411	(1,315)	(10)	1,001	-
<b>CF from Inv. Activities</b>	<b>(475)</b>	<b>306</b>	<b>(282)</b>	<b>(1,173)</b>	<b>(1,063)</b>	<b>(438)</b>	<b>1,791</b>	<b>(36,308)</b>
inc/(dec) in NW	2	2	-	-	-	-	-	-
inc/(dec) in Debt	(15)	(3)	177	100	(277)	99	(99)	-
Int. Paid	(29)	(18)	(2)	(14)	(6)	(7)	(10)	(107)
Div Paid (inc tax)	(2,904)	(3,437)	(4,027)	(4,289)	(4,692)	(5,482)	(6,257)	(6,942)
others	(14)	(7)	(12)	(11)	-	-	-	-
<b>CF from Fin. Activities</b>	<b>(2,960)</b>	<b>(3,462)</b>	<b>(3,864)</b>	<b>(4,214)</b>	<b>(4,975)</b>	<b>(5,390)</b>	<b>(6,819)</b>	<b>24,651</b>
Inc(Dec) in Cash	383	(33)	25	(202)	21	(28)	2,595	(2,204)
<b>Add: Opening Balance</b>	<b>462</b>	<b>845</b>	<b>805</b>	<b>830</b>	<b>628</b>	<b>649</b>	<b>621</b>	<b>5,113</b>
Closing Balance	845	813	830	628	649	621	3,216	2,909

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Analyst's ownership of the stocks mentioned in the Report	NIL
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Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelo Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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