

Hindustan Unilever Ltd.

BUY

Sector: Household Products

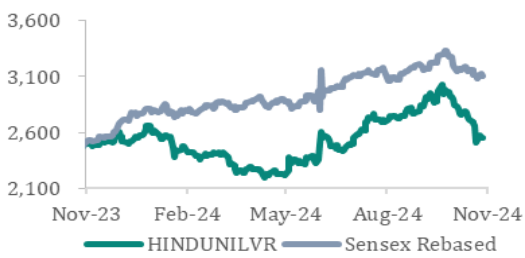
05th November 2024

Key Changes	Target	Rating	Earnings	Target	Rs.2,820		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.2,526
Large Cap	HUVR:IN	78,782	HINDUNILVR	500696	12 Months	Return	+12%

Data as of: 4-11-2024

Company Data			
Market Cap (Rs. cr)	591,275		
52 Week High — Low (Rs.)	3,035 - 2,170		
Enterprise Value (Rs. cr)	605,035		
Outstanding Shares (cr)	235.0		
Free Float (%)	38.0%		
Dividend Yield (%)	1.7		
6m average volume (cr)	0.2		
Beta	0.6		
Face value (Rs.)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	61.9	61.9	61.9
FII's	12.7	11.9	12.2
MFs/Insti	13.3	14.2	14.2
Public	11.5	11.5	11.0
Others	0.7	0.6	0.7
Total	100.0	100.0	100.0
Promoters' pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-6.5%	13.8%	2.6%
Absolute Sensex	-2.6%	7.0%	25.4%
Relative Return	-3.9%	6.8%	-22.7%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	60,469	63,492	69,203
Growth (%)	2.2	5.0	9.0
EBITDA	14,190	15,017	16,546
EBITDA Margin (%)	23.5	23.7	23.9
PAT Adjusted	10,180	10,711	11,815
Growth (%)	4.7	5.2	10.3
Adjusted EPS	43.3	45.6	50.3
Growth (%)	4.7	5.2	10.3
P/E	52.4	55.7	50.5
P/B	10.5	11.6	11.5
EV/EBITDA	37.6	49.7	36.0
ROE (%)	19.8	20.9	22.9
D/E	0.0	0.0	0.0

Favourable price expected to aid future growth

Hindustan Unilever (HUL), a subsidiary of Unilever PLC, is India's leading FMCG company. It has over 35 brands across 20 categories, such as soaps, detergents, shampoos, and skin care

- In Q2FY25, HUL reported a revenue growth of 1.5% YoY, mainly due to growth in the home care segment, while beauty & personal care and foods & refreshment segments declined.
- The home care segment revenue grew 8.0% YoY due to higher volume in the fabric wash portfolio, driven by premiumisation and market development. Such a trend is expected to continue in the future also. Premium dishwash portfolio also led to good volume growth in Household care.
- The beauty & personal care segment declined 1.3% YoY to Rs. 5,735cr, mainly on account of pricing action in the skin cleansing portfolio during the year.
- Higher input costs led to EBITDA declining 1.3% YoY to Rs. 3,647cr. EBITDA margin declined 70bps YoY to 23.5% YoY.
- Resultantly, adjusted PAT declined 3.5% YoY to Rs. 2,628cr in Q2FY25.
- Due to the persistent nature of inflation in input commodity prices, the company expects low-single-digit price growth in the near future.

Outlook & Valuation

With a recovery in rural demand and the festive season in Q3FY25, healthy consumer demand can be expected in the near term. Launching of innovative products powered by robust distribution channels and strong brand image is expected to bring in high single-digit volume growth across the verticals. Price correction actions to pass on elevated commodity prices would deliver healthy margins and lift the performance further. Hence, **we maintain our BUY rating on stock with a revised target price of Rs. 2,820 based on 56x FY26E adjusted EPS.**

Quarterly Financials Standalone

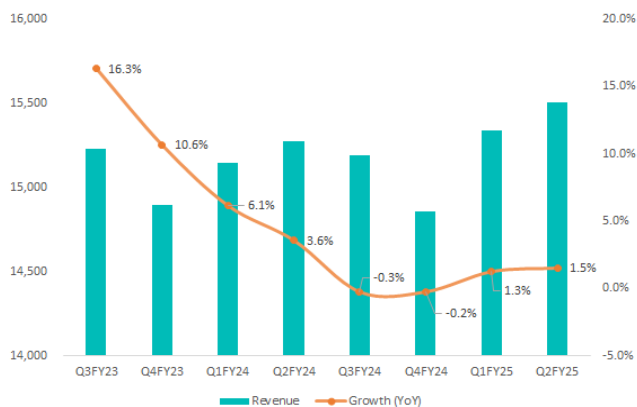
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	15,508	15,276	1.5	15,339	1.1	30,847	30,424	1.4
EBITDA	3,647	3,694	-1.3	3,606	1.1	7,253	7,215	0.5
Margin (%)	23.5	24.2	-70bps	23.5	0bps	23.5	23.7	-20bps
EBIT	3,342	3,425	-2.4	3,308	1.0	6,650	6,689	-0.6
PBT	3,536	3,631	-2.6	3,432	3.0	6,968	6,996	-0.4
Rep. PAT	2,612	2,717	-3.9	2,538	2.9	5,150	5,189	-0.8
Adj PAT	2,628	2,722	-3.5	2,586	1.6	5,214	5,231	-0.3
EPS (Rs)	11.1	11.6	-3.5	10.8	1.6	21.9	22.1	-0.3



Key highlights

- The liquid portfolio in the home care segment continues to outperform. While focusing on the expansion of Rin liquid and launch of Vim Pro floor cleaner and Comfort Beads in the fragrance domain would further strengthen the vertical in the upcoming period.
- In Q2FY25, HUL launched Tresemme's Lamellar Gloss range, Ponds' Hydra Miracle Body Gel Lotion, Glow and Lovely's Niacinamide Serum and Lakme's on-trend collection of Lip Oil and Lip Glaze under the beauty and wellbeing verticals and remained optimistic about future performance.
- HUL announced the separation of its ice-cream business (3% of turnover, delivering high growth) owing to a different operating model and lower synergies with the rest of the business model. The model of separation is to be announced by year-end .
- Effective tax rate for FY26 is expected to remain above 26%.
- HUL management expected demand for the products would remain stable in the near term.
- EBITDA margin is expected to remain at current healthy levels.
- HUL's Directors announced Rs.19 per share interim dividend and, additionally, Rs. 10 per share special dividend for FY25, which results in a total dividend payout of Rs. 6,814cr.

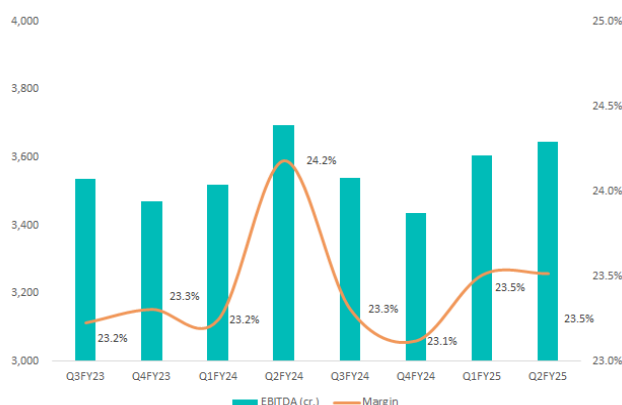
Revenue



Volume Growth



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	67,693	73,895	63,492	69,203	-6.2	-6.3
EBITDA	16,121	17,713	15,017	16,546	-6.8	6.6
Margins (%)	23.8	24.0	23.7	23.9	-10bps	-10bps
Adj. PAT	11,727	12,973	10,711	11,815	-8.7	-8.9
EPS	49.9	55.2	45.6	50.3	-8.7	-8.9



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	51,193	59,144	60,469	63,492	69,203
% change	11.3	15.5	2.2	5.0	9.0
EBITDA	12,518	13,647	14,190	15,017	16,546
% change	10.0	9.0	4.0	5.8	10.2
Depreciation	1,040	1,045	1,097	1,122	1,137
EBIT	11,478	12,602	13,093	13,895	15,409
Interest	98	101	302	385	413
Other Income	359	578	884	983	993
PBT	11,739	13,079	13,675	14,493	15,988
% change	11.9	11.4	4.6	6.0	10.3
Tax	2,921	3,117	3,561	3,783	4,173
Tax Rate (%)	24.9	23.8	26.0	26.1	26.1
Reported PAT	8,818	9,962	10,114	10,711	11,815
PAT att. to common shareholders	8,818	9,962	10,114	10,711	11,815
Adj.*	-143	-242	66	-	-
Adj. PAT	8,675	9,720	10,180	10,711	11,815
% change	8.9	12.0	4.7	5.2	10.3
No. of shares (cr)	235.0	235.0	235.0	235.0	235.0
Adj EPS (Rs)	36.9	41.4	43.3	45.6	50.3
% change	8.9	12.1	4.7	5.2	10.3
DPS (Rs)	34.0	39.0	42.0	44.0	49.0

CASH FLOW

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	9,858	11,007	11,211	11,833	12,952
Non-cash adj.	-157	-1,049	3,596	302	1,202
Other adjustments					
Changes in W.C	-737	-332	77	481	332
C.F. Operation	8,964	9,626	14,884	12,615	14,486
Capital exp.	-744	-861	-1,298	-1,590	-1,641
Change in inv.	-793	-400	-4,213	582	-678
Other invest.CF	-195	199	540	-100	-100
C.F - Investment	-1,732	-1,062	-4,971	-1,108	-2,419
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-7,519	-8,459	-9,398	-10,338	-11,513
Other finance.CF	-465	-507	-492	-333	-359
C.F - Finance	-7,984	-8,966	-9,890	-10,671	-11,872
Chg. in cash	-752	-402	23	836	195
Closing cash	988	586	609	1,445	1,640

Balance Sheet

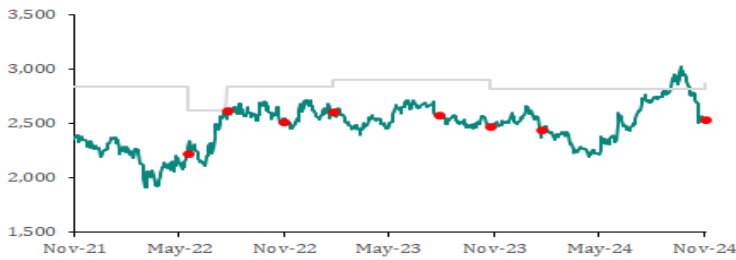
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	988	586	609	1,445	1,640
Accounts Receivable	1,932	2,735	2,690	3,092	3,356
Inventories	3,890	4,031	3,812	4,144	4,534
Other Cur. Assets	7,837	8,697	13,185	13,114	13,962
Investments	612	983	983	1,084	1,186
Gross Fixed Assets	9,473	10,520	11,809	13,120	14,480
Net Fixed Assets	4,912	5,169	6,263	6,406	6,581
CWIP	901	1,020	915	961	1,009
Intangible Assets	45,221	45,216	45,201	45,480	45,761
Def. Tax (Net)	-	-	-	-	-
Other Assets	3,444	3,388	3,418	3,598	3,771
Total Assets	69,737	71,825	77,076	79,324	81,801
Current Liabilities	10,659	11,334	12,063	13,254	14,234
Provisions	1,553	1,335	1,551	1,520	1,490
Debt Funds	971	1,039	1,374	1,426	1,480
Other Liabilities	7,794	7,896	11,115	11,778	12,948
Equity Capital	235	235	235	235	235
Reserves & Surplus	48,525	49,986	50,738	51,111	51,413
Shareholder's Fund	48,760	50,221	50,973	51,346	51,648
Minority Interest	-	-	-	-	-
Total Liabilities	69,737	71,825	77,076	79,324	81,801
BVPS	207.5	213.8	217.0	218.5	219.8

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	24.5	23.1	23.5	23.7	23.9
EBIT margin (%)	22.4	21.3	21.7	21.9	22.3
Net profit mgn.(%)	17.2	16.8	16.7	16.9	17.1
ROE (%)	18.1	19.8	19.8	20.9	22.9
ROCE (%)	23.1	24.6	25.0	26.3	29.0
W.C & Liquidity					
Receivables (days)	13.8	16.9	16.2	17.8	17.7
Inventory (days)	56.5	47.2	47.4	46.7	46.9
Payables (days)	128.8	110.1	126.3	128.1	127.8
Current ratio (x)	1.3	1.4	1.6	1.6	1.6
Quick ratio (x)	0.8	0.9	1.2	1.1	1.1
Turnover & Leverage					
Gross asset T.O (x)	5.6	5.9	5.4	5.1	5.0
Total asset T.O (x)	0.7	0.8	0.8	0.8	0.9
Int. covge. ratio (x)	117.1	124.8	43.4	36.1	37.3
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	9.2	10.2	8.8	9.4	8.6
EV/EBITDA (x)	37.8	44.1	37.6	39.7	36.0
P/E (x)	54.5	61.8	52.4	55.7	50.5
P/BV (x)	9.7	12.0	10.5	11.6	11.5



Recommendation summary (Last 3 Years)



Dates	Rating	Target
19-May-22	BUY	2,620
25-Jul-22	HOLD	2,840
2-Nov-22	BUY	2,840
27-Jan-23	BUY	2,900
28-Jul-23	BUY	2,900
27-Oct-23	BUY	2,820
24-Jan-24	BUY	2,820
05-Nov-24	BUY	2,820

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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