



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Hindustan Unilever Q1FY25 consolidated revenues came in at ₹15,523 Cr, up 3.2% QoQ and up 1.7% YoY.
- PBIDT (Ex-OI) for Q1FY25 stood at ₹3744 Cr, up 5.9% QoQ and up 2.2% YoY.
- PBIDTM (Ex-OI) for Q1FY25 came at 23.8%, +60 bps QoQ and +10 bps YoY.
- PAT (Ex-OI) for Q1FY25 stood at ₹2614 Cr, up 2.1% QoQ and up 2.2% YoY.
- Underlying sales growth was 2% while underlying volume growth was 4%.
- Product mix: Home care (36%), Beauty and Well-being (21%), Personal Care (15%), Foods & Refreshment (25%), Others (3%).
- Home care revenue stood ₹5673 cr, down 1% QoQ and up 5% YoY.
- Beauty and well-being revenue stood at ₹3281 cr, up 7% QoQ and up 4% YoY.
- Personal Care revenue stood at ₹2386 cr, up 16% QoQ and down 4% YoY.
- Foods & Refreshment revenue stood at ₹ 3850 cr, down 2% QoQ and up 1% YoY.

2. MANAGEMENT COMMENTARY:

- Price growth will be zero in Q2FY2025 adjusting for a one-off indirect tax impact in the base. Management expects low single digit price growth in H2FY2025.
- Plans to expand portfolio specifically in categories which have high growth potential such as liquid format in detergents, niche segments in beauty, bodywash and international cuisine.
- Aim to drive up gross margins with an improved mix, recovery in underlying volume growth and price growth. Company aims to maintain OPM at current level in the short term and achieve modest improvement in the long term.
- Haircare category registered good growth across packs and brands. Mass market products is coming back with improving traction in the rural markets.
- In skincare category, the company is gaining share across categories. The company is focusing on high growth spaces. Ponds is doing well, while Glow & Lovely mix has to be relevant, to see improvement in growth.
- Health food drinks (HFDs) are gaining share and penetration. HFD market has not grown in Q1FY25 due to extreme weather. Management expects growth in HFD to gradually improve in the coming quarters.

3. CONCALL SUMMARY

- Growth in rural market outpaced urban market in last three months. With expected recovery in the rural demand driven by better monsoons and transformation of the portfolio to high growth spaces will help the volume growth to recover further in the coming quarters.
- During Q1FY2025, high- growth portfolio registered 20% y-o-y volume growth, with e-commerce growing at a faster pace of over 50%.
- Recently announced sale and divestment of the water purification business 'Pureit' aligns with the strategic focus on core portfolio strengths.

4. VALUATION AND OUTLOOK:

positive about leveraging its strong 9mn outlets penetration. Its key focus is to increase offerings and drive consumption. Targeting high single digit EPS growth driven by sales. Volume growth will be the key growth driver with pricing in low single digits. Balanced sales growth across segments driven by volume with inflation-driven pricing in 2HFY25. Margins likely to remain ~23%. The growth trajectory will improve as we progress through FY25 on rural recovery and pricing.

With a strong growth outlook, we initiate a “BUY” rating on the stock and value the stock at **71x FY26 EPS to arrive at the target of 3387**.

RECOMMENDATION - BUY

CMP – 2928
TARGET – 3387(++16%)

Industry	Textile - Spinning
NSE CODE	HINDUNILVR
BSE CODE	500696
Market Cap (₹ Cr)	6,87,996
Shares Outstanding (in Cr)	234.96
52 wk High/Low (₹)	2989/2172
P/E	66.5
P/BV	13.5
Face Value (₹)	1.0
Book Value (₹)	218
EPS (FY24) (₹)	43.74
Dividend Yield (%)	1.42
Debt / Equity	0.03
Interest Coverage	38.1

SHAREHOLDING PATTERN

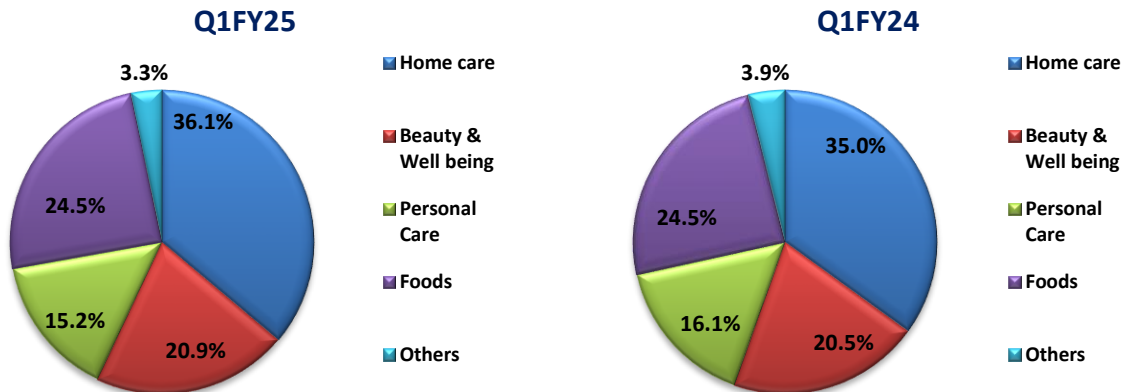
	Jun 24	Mar 24	Dec 23
Promoters	61.9	61.9	61.9
MF/ DII	14.14	13.25	12.35
FII/FPI	11.87	12.67	13.65
Retail & Others	12.11	12.19	12.11
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024	2025E	2026E
Crore			
Sales	61896	65610	70859
Sales Gr. (%)	2.2	6	8
EBITDA	14663	15681	16935
EBITDA %	23.7	24	24
PAT	10277	10422	11211
EPS (₹)	43.73	44.4	47.7
EPS Gr. (%)	1.55	1.4	7.6
Valuation			
P/E (x)	51.9	67	71

Historical & Industrial Val Ratios

Historical P/E	67.8
Industry P/E	75.3
Historical P/B	13.0
Industry P/B	14.4

Revenue Bifurcation Trend

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24				FY25		FY24	FY25E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	15343	14953	15267	15364	15294	15041	15523	16402	61896	65610
YoY change (%)	16.0	10.8	6.3	3.1	-0.3	0.6	1.7	7.0	2.2	6.0
Total Expenditures	11903	11642	11831	11826	11901	11675	11963	12482	47233	49929
EBITDA	3694	3573	3665	3797	3666	3535	3744	3920	14663	15681
YoY growth (%)	8.4	8.2	7.7	9.1	-0.8	-1.1	2.2	3.2	3.6	6.9
Margins (%)	23.7	23.5	23.7	24.3	23.5	23.2	23.8	23.9	23.7	24
Depreciation	293	291	286	297	313	320	329	312	1216	1247
Interest	29	29	50	88	91	105	93	87.5	334	350
Other income	110	160	183	183	214	231	257	233	811	932
PBT	3379	3493	3475	3590	3446	3419	3531	3521	13926	14084
Rate (%)	27%	26%	26%	26%	27%	25%	26%	25%	26%	26%
Tax	898	891	918	931	937	858	917	880	3644	3662
Adjusted PAT	2481	2602	2557	2659	2509	2561	2614	2641	10277	10422
EPS in Rs	10.53	11.07	10.87	11.30	10.68	10.89	11.11	11.24	43.7	44.4

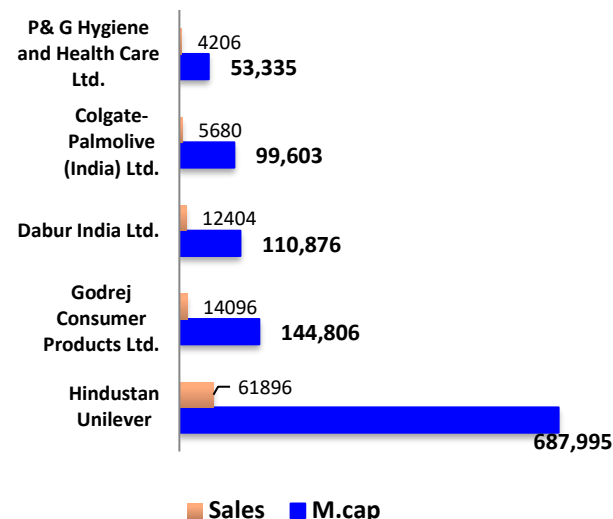
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- According to Nielsen data up to Jul'24, demand trends are consistent with the previous quarter. Rural growth has been outpacing urban growth (although three-year CAGR is higher in urban markets). The recovery in the mass segment has been slower than anticipated, mainly due to high food inflation during the quarter. The pickup in discretionary products was also slow.
- Rural growth is gradually picking up with a modest improvement in the demand. Better monsoon and stimulus in the budget will further boost recovery in the coming quarters. Though monsoon started with a delay, spread of the monsoon is good. The government has already increased its focus on rural markets by incentivizing through welfare schemes and increasing MSPs of various crops. If commodity/key input prices move up from the current level, then company will opt for price hikes in coming quarters. Increase in the commodity prices will reduce the competition from small/regional players in various markets.
- Recovery in rural demand, better offtake for out-of-home categories, addition of relevant products in the portfolio and sustained improvement in penetration in key categories remain key growth drivers in the near term. The company is well-poised to achieve good growth in the coming years with a leadership position in over 85% of the portfolio and a presence in more than nine million stores. A better product mix, operational efficiencies and integration benefits would help margins to improve in the coming years.

KEY PLAYERS in FMCG space



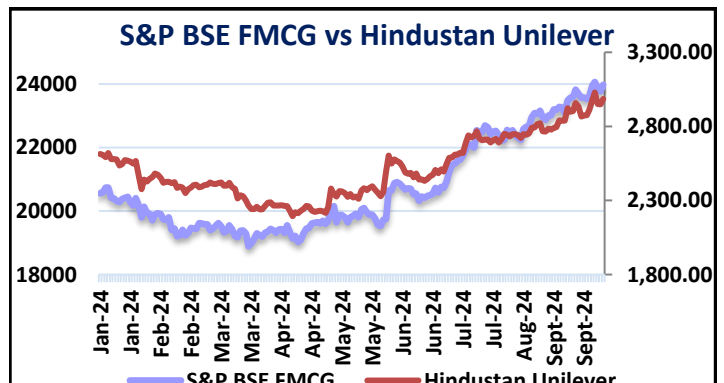
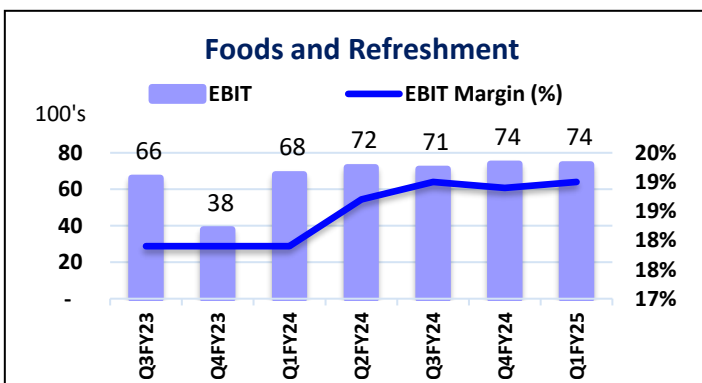
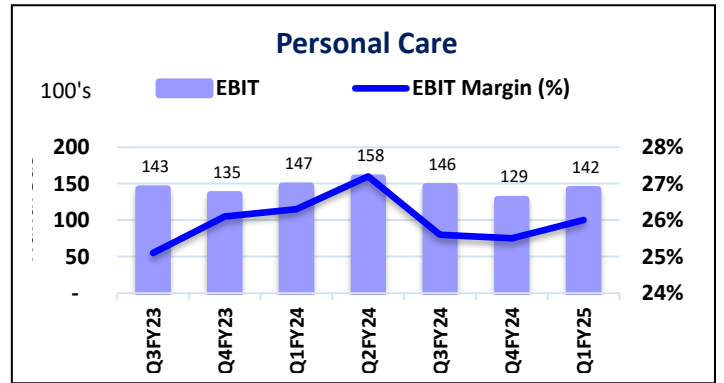
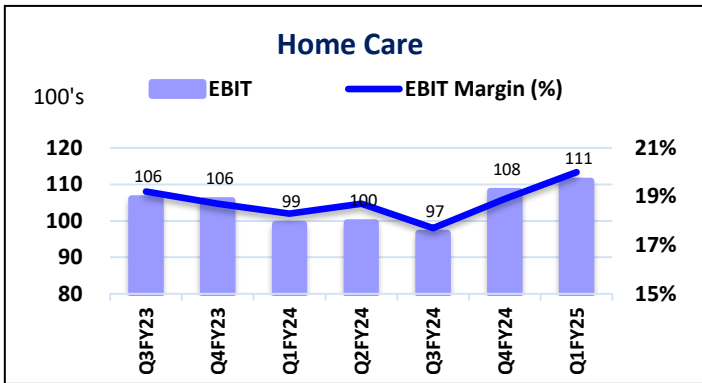
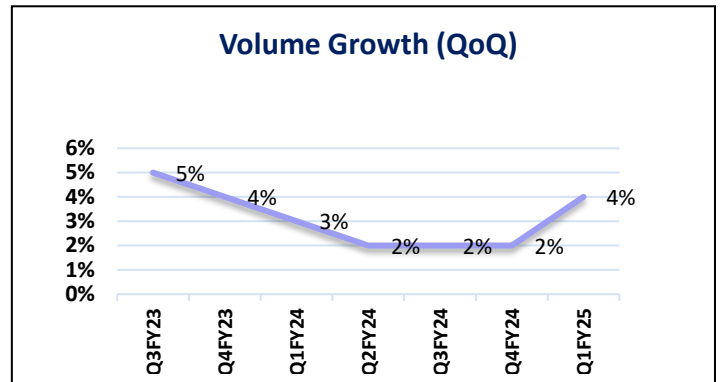
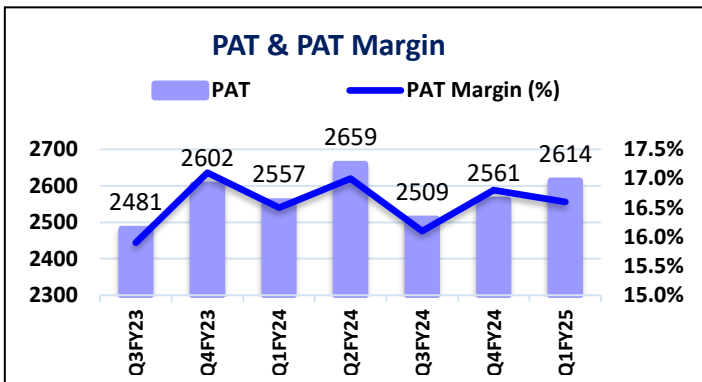
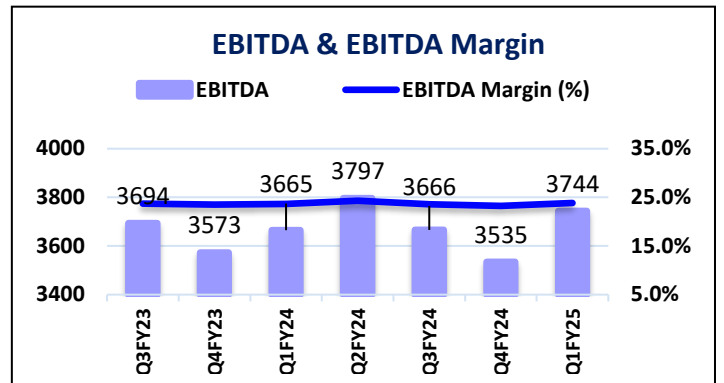
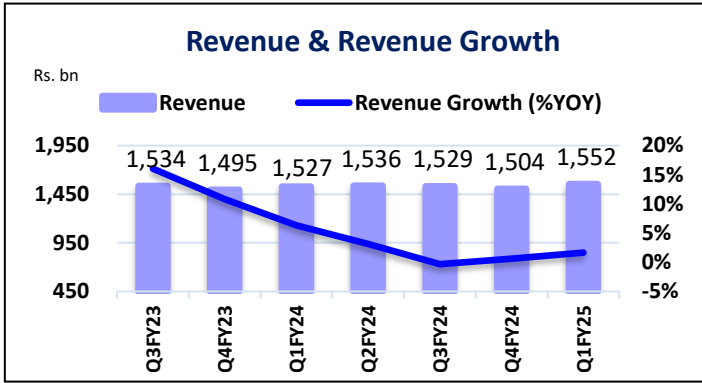
PEER PERFORMANCE

(₹ Cr)

Particulars	Hindustan Unilever Ltd.	Colgate Palmolive (India) Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd.	P&G Hygiene and Health Care Ltd.
Market Cap	687995	99603	144806	110876	53335
Net Sales	61896	5680	14096	12404	4206
EBITDA	14659	1901	2957	2400	970
PAT	10282	1324	-561	1811	675
EBITDA MARGIN %	24	33	21	19	23
PAT MARGIN %	16.6	23.3	-3.9	14.6	16.0
ROCE %	27.2	96.8	19.0	22.3	112
ROE %	20.2	74.5	-56.0	19.2	78.4
P/E TTM	66.5	71.2	82.5	60.0	79
P/B TTM	13.5	53.7	11.5	55.7	68.9
Current Ratio	1.3	1.5	0.69	1.02	1.22
Dividend Yield %	1.4	1.3	1.05	0.88	0.64
Int Coverage	38.1	389	9.96	19.2	36.1
EPS TTM(₹)	44	52	-4.19	10.6	208
3 Y Sales CAGR%	10	5	9	9	6



STORY IN CHARTS





INVESTMENT RATIONALE:

- Focus on premiumisation by capitalising on the leading trends, leveraging technology and introducing new formats. Premium portfolio contribution has risen by ~300 bps over the last 3 years.
- Plans to expand its portfolio specifically in categories which have high growth potential such as liquid format in detergents, niche segments in beauty, bodywash and international cuisine. During Q1FY2025, high-growth portfolio registered 20% y-o-y volume growth, with e-commerce growing at a faster pace of over 50%.
- Forayed into the fast-growing demand segment of 'Health and Wellbeing' through strategic partnerships with two young science-backed brands 'OZiva' and 'Wellbeing Nutrition'. OZiva's Health & Wellness brand has doubled its digital ARR, setting the stage for accelerated growth in 2024.
- Shikhar, an e-B2B demand-capturing application, serves 1.3m stores and is utilized by over 70% of Shakti Ammas, demonstrating the widespread adoption of digital solutions across the country.
- Shikhar has partnered with ONDC, enabling retailers to list themselves on the ONDC platform. There are currently piloting this initiative in select stores and regions. Through Shikhar, retailers will be able to sell a broad range of products to a larger consumer base, thereby increasing their market presence.
- Retained most of the ~200 bps of market share gains it had acquired during the high inflation period, though there has been a slight dip in recency.
- The Company's "MAT business winning metric" is expected to return to 60.0% levels by the end of the calendar year, indicating the effectiveness of its strategic actions.
- The value weighted distribution stood at 95% of the FMCG industry. The Company has a total reach of over 9.0 Mn outlets in the country, making it the FMCG Company with the widest reach.

RISK / NEGATIVE FACTORS:

- Slowdown in the demand environment: Any slowdown in demand (especially in rural India) would affect sales of key categories, resulting in moderation of sales volume growth.
- Increased input prices: Palm oil and crude derivatives such as linear alkyl benzene are some of the key raw materials used by HUL. Any significant increase in the prices of some of these raw materials would affect profitability and earnings growth.
- Increased competition in highly penetrated categories: Increased competition in highly penetrated categories such as soaps and detergents would act as a threat to revenue growth.

COMPANY RECAP

- HUL is India's largest FMCG company with presence of more than 90 years. The company is a subsidiary of Unilever Plc (that holds a 62% stake in HUL), the world's largest consumer goods company present across 190 countries. It has a strong portfolio in the homecare and beauty and personal care categories. With over 50 brands spanning 16 distinct categories such as personal wash, fabric wash, skin care, hair care, oral care, deodorants, colour cosmetics, beverages, ice creams, frozen desserts, and water purifiers, HUL is part of the everyday life of millions of consumers across India.
- The company's portfolio includes leading brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, and Axe. Out of the company's portfolio of over 50 brands, 19 brands have a turnover exceeding Rs. 1,000 crore per annum (FY24)



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement						(₹ Cr)
Y/E March	2021	2022	2023	2024	2025E	2026E
Revenue from operations	47028	52446	60580	61896	65610	70859
Growth YoY (%)	18%	12%	16%	2%	6%	8%
Total Expenditure	35402	39589	46431	47233	49929	53923
(%) of sales	75.3%	75.5%	76.6%	76.3%	76.1%	76.1%
EBITDA	11626	12857	14149	14663	15681	16935
EBITDA Growth (%)	17.9%	10.6%	10.0%	3.6%	6.9%	8.0%
EBITDA Margin (%)	24.7%	24.5%	23.4%	23.7%	24%	24%
Depreciation	1074	1091	1138	1216	1247	1417
EBIT	10723	11980	13458	14260	14434	15518
EBIT Growth (%)	15.4%	11.7%	12.3%	6.0%	1.2%	7.5%
Net Interest Expenses	117	106	114	334	350	368
Other Income	410	258	512	811	932	1016
Exceptional Items	-239	-44	-64	6	0	0
Earnings before Taxes	10606	11874	13344	13926	14084	15150
EBT Margin (%)	23%	23%	22%	22%	21%	21%
Tax-Total	2606	2987	3201	3644	3662	3939
Rate of tax (%)	25	25	24	26	26	26
Net Profit	8000	8887	10143	10282	10422	11211
PAT Growth (%)	18.3	11.1	14.1	1.4	1.4	7.6
PAT Margin (%)	17%	17%	17%	17%	16%	16%
Minority Interest	-4	-13	-23	-5	0	0
Adjusted PAT	7995	8879	10120	10277	10422	11211
EPS	34.0	37.8	43.1	43.7	44.4	47.7
EPS Growth (%)	8.9	11.1	14.0	1.6	1.4	7.6

Balance Sheet

Y/E March	2021	2022	2023	2024
Share Capital	235	235	235	235
Reserves	47,439	48,826	50,069	50,983
Net Worth	47,674	49,061	50,304	51,218
Borrowings	0	1,043	1,219	1,484
Other Liabilities	21,066	20,402	21,554	25,787
Total Liabilities & Equity	68,740	70,506	73,077	78,489
Fixed Assets	51,443	51,473	52,678	53,744
CWIP	745	1,313	1,132	1,025
Investments	2,709	3,521	2,882	4,625
Other Assets	13,843	14,199	16,385	19,095
Total Assets	68,740	70,506	73,077	78,489

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR))	2021	2022	2023	2024
Profitability and return ratios				
Net profit margin (%)	15.2	15.3	15.0	14.6
EBITDA margin (%)	22.9	22.5	21.6	22.0
EBIT margin (%)	20.4	20.6	19.9	20.2
ROE (%)	28.6	18.4	20.4	20.3
ROCE (%)	38.4	24.8	27.1	28.1
Working Capital & liquidity ratios				
Payables (Days)	149.0	141.0	118.6	135.0
Inventory (Days)	22.0	24.1	22.5	21.4
Receivables (Days)	10.1	12.5	14.3	15.7
Current Ratio (x)	1.3	1.4	1.4	1.7
Valuations Ratios				
EV/sales (x)	12.1	9.1	9.9	8.5
EV/EBITDA (x)	47.1	36.4	40.7	34.0
P/E (x)	71.4	54.2	59.4	51.9
P/BV (x)	12.0	9.8	12.0	10.4
Dividend Yield (%)	1.7	1.7	1.5	1.9
Return on Assets (%)	18.1	12.8	14.1	13.6
Leverage Ratio				
Debt/Equity (x)	0.0	0.0	0.0	0.0

Cash Flow Statement

Y/E March	2021	2022	2023	2024
CF from Operating activities (A)	9163	9048	9991	15469
CF from Investing Activities (B)	-1228	-1728	-1484	-5324
CF from Financing Activities (C)	-9309	-8015	-8953	-10034
Net Cash Flow	-1374	-695	-446	111
Add: Opening Bal.	3216	1842	1147	701
Closing Balance	1842	1147	701	812

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
27 th Sept 2024	BUY	(++16%)

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Name of the Research Analyst: AARUSHI LUNIA

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4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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