

Date	Coverage	Report Price (₹)	Buy Range (₹)	Target Price (₹)
24-July-23	Quick Insight	2,604.0	2620 – 2670	3060 – 3080
23-Oct-23	Q2FY24	2,495.0		
26-Apr-24	Q4FY24	2,231.0		



Hindustan Unilever Limited

Q1FY25 Highlights

- Consolidated revenue grew 1.7% YoY to ₹15497crs with 4% underlying volume growth. The premium segment continues to outperform the mass segment.
- Amongst segments, home care segment posted 4.6% YoY revenue growth followed by 3.5% YoY revenue growth in beauty & wellbeing. Beauty & personal care performance remains muted with de-growth of 4.5% YoY.
- Gross margin expanded ~150bps to 51.9% YoY due to softening of raw material prices and better product mx (towards premiumisation).
- EBITDA margin at 23.9% expanded 20 bps YoY due to high A&P cost. Reported PAT grew 2% YoY to ₹2612crs.

Concall Highlights

- Growth in rural market was ahead of urban market. Premium portfolio continued to outperform mass segment's products portfolio. HUL continued to focus on building back gross margin through improved price coverage and net productivity measures while stepping up investments behind brands and future-fit capabilities.
- EBITDA growth was higher at 2.2% YoY due to lower employees cost while revenue growth was lower at 1.7%. Gross Margin and A&P investments increased ~150bps and 11.7bps YoY respectively in Q1FY25. EBITDA margin at 23.9% expanded 20 bps YoY due to higher advertising expenses. Profit after Tax (PAT) grew 2.2% YoY. Employee costs decreased 7% YoY while other expenditures increased by 7% YoY.
- **Home Care (36% of revenue; segmental margin 20%):** grew 4.6% with high-single digit underlying volume growth led by structural actions taken across the portfolio, in both mass and premium segments. Household Care grew volumes in mid-single digit driven by strong performance in premium dishwash portfolio and continued to strengthen core dishwash portfolio by re-launching Vim bar with a superior formulation. Premiumisation journey in fabric wash liquids was further bolstered by the expansion of Rin liquids.
- **Beauty & Personal Care (21% of revenue; segmental margin 31%):** revenue grew 3% YoY with mid-single volume growth. Hair Care grew volumes in double-digit driven by a strong performance in Sunsilk, Clinic Plus and Dove. Skin care and Colour cosmetics had a muted volume performance in the quarter driven by decline in mass portfolio. Investments in channels as well as formats of the future and premium portfolio continued to yield healthy results. During the quarter, Dove glycolic hydration range, Vaseline glutaha overnight lotion and a range of innovations under Lakme skin and cosmetics capturing new trends were launched.
- **Foods & Refreshment (25% of revenue; segmental margin 19%):** Revenue growth was flat at 1% with volumes remaining stable. The category was impacted by a harsh summer season. Nutrition Drinks (Horlicks & Boost) had subdued performance in the quarter albeit continuing to win competitively. Ice cream segment saw double digit volume growth led by strong summer season. Adult nutrition range performed well. Tea continued to cement its

Important Data

Nifty	24,414
Sensex	80,149
CMP (₹)	2,717
Market Cap (₹ Cr)	6,38,336
52W High/Low	2,812/2,170
Shares o/s (crs)	234.96
Daily Vol. (3M NSE Avg.)	19,67,045
BSE Code	500696
NSE Code	HINDUNILVR
Bloomberg Code	HUVR:IN

Shareholding Pattern (%) – Jun'24

Promoter	61.9
FII	11.9
DII	14.1
Public & Others	12.1

Financials

Particulars	(₹ Cr)		
	FY22	FY23	FY24
Revenues	52,446	60,580	61,896
YoY Growth	12%	16%	2%
EBITDA	12,857	14,148	14,659
EBITDA Margin	25%	23%	24%
PAT	8,892	10,143	10,282
PAT Margin	17%	17%	17%
EPS	37.79	43.2	43.8
PE	71.8	62.8	62.0

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
HUL	5	16	56
Nifty 50	23	55	122
Sensex	20	52	116

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market leadership through value and volume share gains. Coffee delivered double digit growth driven by pricing. Foods grew volumes in low-single digit led by outperformance in Food Solutions, Mayonnaise, Peanut Butter, and International sauces. Ice-cream delivered double-digit volume growth aided by strong launches during the summer season. Bru's specialty coffee range 'Southern Trails', Kwality Walls' Strawberry Sundae, and Hellman's 5 in 1 mayonnaise seasoning mix were launched in the quarter

- Margins in the home care segment stood at 20% (130bps YoY), personal care stood at 17.8% (-20bps YoY), Foods & Refreshments was 19.1% (+120bps YoY), Beauty & Wellbeing was 30.5% (-180bps YoY).
- Advertisement spending is likely to remain high in the near term, given the competitive intensity and brand building. Advertisement spending was at 10.7% of revenues compared with 9.7% in the Mar'24 quarter.
- HUL has been expanding its addressable market by reinvesting in existing categories, adding new products, and using e-commerce to drive penetration and expects low single-digit price growth in H2FY25 and plans to maintain the current level of margins in the near term.

Risk

- Slower recovery in demand
- Inflationary raw material prices

VIEW

The Premium portfolio continued to outperform with strong double digit value growth. Management aiming for a sustainable volume growth, led by distribution expansion, digital initiatives, and a ramp-up of the alternate channel. Gradual demand recovery to continue. Normal monsoons and subsequent uptick in rural income are key factors determining the pace of recovery.

A strong product profile, leadership positioning in key categories and extensive distribution reach will enable HUL to achieve faster recovery. Also, management aims to maintain OPM at the current level in the short term and achieve modest improvement in the long term.

Consistent recovery in volume along with premiumization across product categories, innovation-led new product launches and cost saving programs are the key building blocks for future growth.

At the current price of ₹2717, it is trading at a P/E 62x to FY24 EPS of ₹43.8. We remain positive on the stock and investors should use the recent correction as an opportunity to accumulate the stock for the long term.

Consolidated Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR
Sale of Products	15,497.0	15,240.0	1.7%	15,013.0	3.2%
Sale of Services	26.0	27.0		28.0	
Other Operating Income	184.0	229.0	-19.7%	169.0	8.9%
	15,707.0	15,496.0	1.4%	15,210.0	3.3%
Other Income	257.0	183.0	40.4%	231.0	11.3%
TOTAL INCOME	15,964.0	15,679.0	1.8%	15,441.0	3.4%
Cost Of Materials Consumed	4,874.0	4,820.0	1.1%	4,611.0	5.7%
Purchase of stock in trade	2,728.0	2,643.0	3.2%	2,568.0	6.2%
Stock Adjustment	(57.0)	216.0	-126.4%	78.0	-173.1%
	<i>RMC as a %age of sales</i>	48.1%	49.6%	47.8%	
Employee Benefit Expenses	656.0	705.0	-7.0%	832.0	-21.2%
	<i>EPC as a %age of sales</i>	4.2%	4.6%	5.5%	
Advertisement & Promotion	1,681.0	1,505.0	11.7%	1,616.0	4.0%
	<i>Advertisement Expenses as a %age of sales</i>	10.7%	9.7%	10.6%	
Other Expenses	2,081.0	1,942.0	7.2%	1,970.0	5.6%
	<i>Other Expenses as a %age of sales</i>	13.3%	12.6%	13.0%	
TOTAL EXPENDITURE	11,963.0	11,831.0	1.1%	11,675.0	2.5%
EBIDTA	3,744.0	3,665.0	2.2%	3,535.0	5.9%
	<i>EBIDTA Margins %</i>	23.9%	23.7%	23.3%	
Finance Costs	93.0	50.0	86.0%	105.0	-11.4%
PBDT	3,908.0	3,798.0	2.9%	3,661.0	6.7%
Depreciation	329.0	286.0	15.0%	320.0	2.8%
PBT before exceptional items	3,579.0	3,512.0	1.9%	3,341.0	7.1%
Exceptional items	(50.0)	(38.0)	31.6%	78.0	-164.1%
PBT	3,529.0	3,474.0	1.6%	3,419.0	3.2%
Tax	917.0	918.0	-0.1%	858.0	6.9%
	<i>Tax Rate</i>	26.0%	26.4%	25.1%	
Reported Profit After Tax from Continuing Operation	2,612.0	2,556.0	2.2%	2,561.0	2.0%
	<i>PATM %</i>	16.7%	16.5%	16.9%	
Other Comprehensive Income (Net of tax)- net credit / (charge)	(2.0)	12.0		15.0	
Total Comprehensive Income	2,610.0	2,568.0	1.6%	2,576.0	1.3%
EPS	11.1	10.9	2.2%	10.9	2.0%
Equity	235.0	235.0		235.0	
Face Value	1.0	1.0		1.0	

Source: Company, Way2Wealth

Segmental Performance

(₹ Cr)

Revenue from Operations	Q1FY25	Q1FY24	VAR [%]	Q4FY24	VAR [%]
Revenue from Operations	15,707.0	15,496.0	1.4%	15,210.0	3.3%
Home Care	5,673.0	5,421.0	4.65%	5,709.0	-0.6%
<i>Mix %</i>	36.1%	35.0%		37.5%	
Personal Care	2,386.0	2,498.0	-4.5%	5,125.0	-53.4%
<i>Mix %</i>	15.2%	16.1%		33.7%	
Foods & Refreshments	3,850.0	3,797.0	1.4%	3,910.0	-1.5%
<i>Mix %</i>	24.5%	24.5%		25.7%	
Beauty & Wellbeing	3,281.0	3,170.0	3.5%		-
<i>Mix %</i>	57.8%	58.5%		0.0%	
Others	517.0	610.0	-15.2%	466.0	10.9%
<i>Mix %</i>	9.1%	11.3%		8.2%	
Net Revenue from Operations	15,707.0	15,496.0	1.4%	15,210.0	3.3%
PROFIT					
Profit/Loss Before Interest and Tax	3,415.0	3,379.0	1.1%	3,215.0	6.2%
<i>Margin %</i>	21.7%	21.8%		21.1%	
Home Care	1,136.0	1,013.0	12.1%	1,111.0	2.3%
<i>Margin %</i>	20.0%	18.7%		19.5%	
Personal Care	425.0	449.0	-5.3%	1,291.0	-67.1%
<i>Margin %</i>	17.8%	18.0%		25.2%	
Foods & Refreshments	736.0	681.0	8.1%	739.0	-0.4%
<i>Margin %</i>	19.1%	17.9%		18.9%	
Beauty & Wellbeing	1,001.0	1,023.0	-2.2%		-
<i>Margin %</i>	30.5%	32.3%		-	
Others	117.0	213.0	-45.1%	74.0	58.1%
<i>Margin %</i>	22.6%	34.9%		15.9%	
Less : Interest	93.0	50.0	86.0%	105.0	-11.4%
Other Un-allocable Expenditure	(2.0)	(1.0)		0.0	
Add : Other Un-allocable Income	257.0	183.0	40.4%	231.0	11.3%
Extra-Ordinary Income/Expense	(48.0)	(37.0)		78.0	
Net Profit/Loss Before Tax	3,529.0	3,474.0	1.6%	3,419.0	3.2%

Source: Company, Way2Wealth

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Name of the Security	HINDUSTAN UNILEVER LTD
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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