

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		



Hindustan Unilever Limited

Q4FY24 Highlights

- Consolidated revenue growth was flat to ₹15013crs YoY with 2% underlying volume growth offset by negative realisation. The growth was purely led by urban while rural demand remains subdued.
- The premium segment continues to outperform the mass segment with a strong double digit value growth.
- Amongst segments, beauty & personal care performance remains muted with de-growth of 2.5% YoY while positive growth was seen in home care segment which grew by 1.3% YoY and food & refreshment segment which grew by 3.1% YoY
- Gross margin expanded ~320bps to 52.3% YoY due to softening of raw material prices and better product mx (towards premiumisation)
- EBITDA margin at 23.3% contracted 20 bps YoY. Profit After Tax before exceptional items (PAT bei) declined 2% and Profit After Tax (PAT) declined 1.5% YoY.

Concall Highlights

- The performance was muted across categories due to weakness in rural markets. Demand in urban markets and modern trade channels remains steady. Premium portfolio continued to outperform mass segment's products portfolio.
- Gross Margin and A&P investments increased ~3200bps and 200 bps YoY respectively in Q4FY24. EBITDA margin at 23.3% declined 10 bps YoY due to higher advertising expenses. Profit after Tax (PAT) declined 1.5% YoY. Employee costs increased 13% YoY while other expenditures increased by 7%.
- **Home Care (36% of revenue; segmental margin 19%):** grew 1.3% with mid-single digit underlying volume growth. Fabric care delivered mid-single volume growth with the premium portfolio outperforming. Household care delivered also delivered mid-single digit volume growth led by Vim liquid. Both categories continued to have negative price growth on account of pricing actions taken during the year.
- **Beauty & Personal Care (37% of revenue; segmental margin 26%):** revenue growth declined 2.5% YoY with flat underlying volume growth. HUL separated these businesses into two sub-segments – beauty & wellness and personal care. Hair Care: Volume driven high-single digit growth led by strong performance in Dove and Tresemme. Innovations and future formats continue to lead growth. Skin Care and Colour Cosmetics saw low-single digit growth with mass skin portfolio declining. Premium skin continues its strong double-digit growth trajectory led by innovations in new demand spaces and formats. Oral care witnessed double digit broad based growth driven by pricing.
- **Foods & Refreshment (25% of revenue; segmental margin 19%):** The beverages portfolio saw moderate 4% growth YoY. Tea further strengthened value and volume market leadership. The category continued to witness consumers downgrading to loose tea. Coffee grew in double-digits driven by pricing whereas the tea category witnessed down-trading. The coffee business grew in double digits due to higher pricing. Functional Nutrition Drinks (Horlicks & Boost) has delivered high-single digit growth driven by the Plus range. And continue to gain market share and penetration on the back of sustained market development actions. Mid-single digit growth in food category led by strong performance

Important Data

Nifty	21,663
Sensex	74,339
CMP (₹)	2,231
Market Cap (₹ Cr)	5,24,000
52W High/Low	2,768/2,170
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 (%) – Mar'24

Promoter	70.50
FII	07.14
DII	05.44
Public & Others	15.92

Financials

Particulars	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	59.04	51.64	50.94

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
HUL	-10%	-5%	32%
Nifty 50	27	54	93
Sensex	23	52	91

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in Soups and Food Solutions. Mayonnaise and Peanut Butter continue to gain traction with consumers.

- Margins in the home care segment stood at 19.5% (50bps YoY), personal care stood at 25.2% (-80bps YoY) and Foods & Refreshments was 18.9% (+100bps YoY).
- Advertisement spending is likely to remain high in the near term, given the competitive intensity and brand building. Advertisement spending was at 10.6% of revenues compared with 8.6% in the Dec'23 quarter and 10.5% in the Sep'23 quarter.
- Competitive intensity remains high in the tea and detergent bar segment. Downgrading in tea category was due to commodity inflation and decoupling of loose tea which is plain tea and premium tea.
- The Board has proposed a final dividend of ₹24 per share. Together with the interim dividend of ₹18 per share, the total dividend for FY24 amounts to ₹42 per share, an increase of 8% vs FY'23.

Risk

- Slower recovery in demand
- Inflationary raw material prices

VIEW

The growth was led by the urban market with the Premium portfolio continued to outperform. Management expects 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 compared to peers in the event of demand 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 ₹2231 it is trading at a P/E 50.9x 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	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
Sale of Products	15,013.0	14,926.0	0.6%	15,259.0	-1.6%	60,852.0	59,443.0	2.4%
Sale of Services	28.0	27.0		35.0		114.0	106.0	
Other Operating Income	169.0	262.0	-35.5%	273.0	-38.1%	930.0	1,031.0	-9.8%
	15,210.0	15,215.0	0.0%	15,567.0	-2.3%	61,896.0	60,580.0	2.2%
Other Income	231.0	160.0	44.4%	214.0	7.9%	811.0	512.0	58.4%
TOTAL INCOME	15,441.0	15,375.0	0.4%	15,781.0	-2.2%	62,707.0	61,092.0	2.6%
Cost Of Materials Consumed	4,611.0	4,908.0	-6.1%	5,027.0	-8.3%	19,257.0	20,212.0	-4.7%
Purchase of stock in trade	2,568.0	2,797.0	-8.2%	2,667.0	-3.7%	10,514.0	11,579.0	-9.2%
Stock Adjustment	78.0	42.0	85.7%	(215.0)	-136.3%	(11.0)	(75.0)	-85.3%
<i>RMC as a %age of sales</i>	<i>47.8%</i>	<i>51.0%</i>		<i>48.2%</i>		<i>48.2%</i>	<i>52.4%</i>	
Employee Benefit Expenses	832.0	738.0	12.7%	706.0	17.8%	3,009.0	2,854.0	5.4%
<i>EPC as a %age of sales</i>	<i>5.5%</i>	<i>4.9%</i>		<i>4.5%</i>		<i>4.9%</i>	<i>4.7%</i>	
Advertisement & Promotion	1,616.0	1,311.0	23.3%	1,626.0	-0.6%	6,489.0	4,907.0	32.2%
<i>Advertisement Expenses as a %age of sales</i>	<i>10.6%</i>	<i>8.6%</i>		<i>10.5%</i>		<i>10.5%</i>	<i>8.1%</i>	
Other Expenses	1,970.0	1,846.0	6.7%	2,090.0	-5.7%	7,975.0	6,955.0	14.7%
<i>Other Expenses as a %age of sales</i>	<i>13.0%</i>	<i>12.2%</i>		<i>13.5%</i>		<i>12.9%</i>	<i>11.5%</i>	
TOTAL EXPENDITURE	11,675.0	11,642.0	0.3%	11,901.0	-1.9%	47,233.0	46,432.0	1.7%
EBIDTA	3,535.0	3,573.0	-1.1%	3,666.0	-3.6%	14,663.0	14,148.0	3.6%
<i>EBIDTA Margins %</i>	<i>23.3%</i>	<i>23.5%</i>		<i>23.6%</i>		<i>23.7%</i>	<i>23.4%</i>	
Finance Costs	105.0	29.0	262.1%	91.0	15.4%	334.0	114.0	193.0%
PBDT	3,661.0	3,704.0	-1.2%	3,789.0	-3.4%	15,140.0	14,546.0	4.1%
Depreciation	320.0	291.0	10.0%	313.0	2.2%	1,216.0	1,137.0	6.9%
PBT before exceptional items	3,341.0	3,413.0	-2.1%	3,476.0	-3.9%	13,924.0	13,409.0	3.8%
Exceptional items	78.0	79.0	-1.3%	(31.0)	-351.6%	2.0	(65.0)	-103.1%
PBT	3,419.0	3,492.0	-2.1%	3,445.0	-0.8%	13,926.0	13,344.0	4.4%
Tax	858.0	891.0	-3.7%	937.0	-8.4%	3,644.0	3,201.0	13.8%
<i>Tax Rate</i>	<i>25.1%</i>	<i>25.5%</i>		<i>27.2%</i>		<i>26.2%</i>	<i>24.0%</i>	
Reported Profit After Tax from Continuing Operation	2,561.0	2,601.0	-1.5%	2,508.0	2.1%	10,282.0	10,143.0	1.4%
<i>PATM %</i>	<i>16.9%</i>	<i>17.1%</i>		<i>16.1%</i>		<i>16.6%</i>	<i>16.8%</i>	
Profit/Loss from Discontinued Operation			-		-	0.0	0.0	-
Adjusted Profit After Extra-ordinary item	2,561.0	2,601.0	-1.5%	2,508.0	2.1%	10,282.0	10,143.0	1.4%
Other Comprehensive Income (Net of tax)- net credit / (charge)	15.0	(39.0)		(7.0)		25.0	(26.0)	
Total Comprehensive Income (13+14)	2,576.0	2,562.0	0.5%	2,501.0	3.0%	10,307.0	10,117.0	1.9%
Basic:								
EPS	10.9	11.1	-1.5%	10.7	2.1%	43.8	43.2	1.4%
Equity	235.0	235.0		235.0		235.0	235.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2Wealth

Segmental Performance

(₹ Cr)

Revenue from Operations	Q4FY24	Q4FY23	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
REVENUES								
Revenue from Operations	15,210.0	15,215.0	0.0%	15,567.0	-2.3%	61,896.0	60,580.0	2.2%
Home Care	5,709.0	5,637.0	1.28%	5,444.0	4.9%	21,882.0	21,223.0	3.11%
<i>Mix %</i>	37.5%	37.0%		35.0%		35.4%	35.0%	
Personal Care	5,125.0	5,257.0	-2.5%	5,782.0	-11.4%	22,448.0	22,022.0	1.9%
<i>Mix %</i>	33.7%	34.6%		37.1%		36.3%	36.4%	
Foods & Refreshments	3,910.0	3,794.0	3.1%	3,733.0	4.7%	15,291.0	14,876.0	2.8%
<i>Mix %</i>	25.7%	24.9%		24.0%		24.7%	24.6%	
Refreshments			-		-	0.0	0.0	-
<i>Mix %</i>	0.0%	0.0%		0.0%		0.0%	0.0%	
Others	466.0	527.0	-11.6%	608.0	-23.4%	2,275.0	2,459.0	-7.5%
<i>Mix %</i>	8.2%	9.3%		11.2%		10.4%	11.6%	
Less : Inter Segment Revenues	0.0	0.0	-	0.0	-	0.0	0.0	-
Total Segment Revenue	15,210.0	15,215.0	0.0%	15,567.0	-2.3%	61,896.0	60,580.0	2.2%
Add : Other Unallocable Income	0.0	0.0	-	0.0	-	0.0	0.0	-
Net Revenue from Operations	15,210.0	15,215.0	0.0%	15,567.0	-2.3%	61,896.0	60,580.0	2.2%
PROFIT								
Profit/Loss Before Interest and Tax	3,215.0	3,283.0	-2.1%	3,353.0	-4.1%	13,447.0	13,012.0	3.3%
<i>Margin %</i>	21.1%	21.6%		21.5%		21.7%	21.5%	
Home Care	1,111.0	1,072.0	3.6%	989.0	12.3%	4,127.0	3,913.0	5.5%
<i>Margin %</i>	19.5%	19.0%		18.2%		18.9%	18.4%	
Personal Care	1,291.0	1,365.0	-5.4%	1,465.0	-11.9%	5,810.0	5,647.0	2.9%
<i>Margin %</i>	25.2%	26.0%		25.3%		25.9%	25.6%	
Foods & Refreshments	739.0	679.0	8.8%	711.0	3.9%	2,851.0	2,662.0	7.1%
<i>Margin %</i>	18.9%	17.9%		19.0%		18.6%	17.9%	
Refreshments			-		-	0.0	0.0	-
<i>Margin %</i>	-	-		-		-	-	
Others	74.0	167.0	-55.7%	188.0	-60.6%	659.0	790.0	-16.6%
<i>Margin %</i>	15.9%	31.7%		30.9%		29.0%	32.1%	
Less : Interest	105.0	30.0	250.0%	91.0	15.4%	334.0	115.0	190.4%
Other Un-allocable Expenditure	0.0	0.0		31.0				
Add : Other Un-allocable Income	231.0	160.0	44.4%	214.0	7.9%	811.0	512.0	58.4%
Extra-Ordinary Income/Expense	78.0	80.0				2.0	(65.0)	
Net Profit/Loss Before Tax	3,419.0	3,493.0	-2.1%	3,445.0	-0.8%	13,926.0	13,344.0	4.4%

Source: Company, Way2Wealth

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Disclosure of Interest Statement: HINDUSTAN UNILEVER LTD as on 26 April 2024

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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