



Hindustan Unilever Limited

Q3FY25 Highlights

- Consolidated revenue grew 2% YoY to ₹15,559crs with flat underlying volume growth as urban demand remain muted. The premium segment continues to outperform the mass segment.
- Amongst segments, the home care segment posted ~5.4% YoY revenue growth with lower realisation followed by ~3% YoY revenue growth in beauty & wellbeing.
- Gross margin contracted ~64bps to 50.4% YoY due to high raw material prices. EBITDA margin at 23.4% contracted 20 bps YoY due to high raw material cost. Reported PAT grew 19% YoY to ₹2988crs.
- Profit After Tax at ₹3,001crs grew 19% YoY mainly because of profit from the divestment of 'Pureit' business while Profit After tax before exceptional items (PAT bei) was flat.
- HUL acquired a 90.5% stake in premium actives-led beauty brand Minimalist at a pre-money enterprise value of ₹ 2,955 cr. The transaction is expected to close in Q1FY26, subject to applicable regulatory approvals and customary closing conditions.

Concall Highlights

- FMCG demand trends remained subdued with continued moderation in urban growth while rural sustained its gradual recovery. HUL continues to execute strategic priorities for transforming its portfolio whilst generating healthy EBITDA margins and cash flow, providing attractive returns to shareholders. Also, it remains watchful of a gradual recovery in consumer demand while creating a sustained competitive advantage through business fundamentals: investing behind aspirational brands, scaling market-making innovations, and maintaining operational rigor.
- General trade channels across rural and urban markets saw high sales of smaller packs. While the volatility in tea and palm oil prices continued, HUL took proactive price hikes, which restricted gross margin erosion.
- EBITDA growth was flat at ₹3695crs due to high raw material prices and employee costs while revenue growth was lower at 2%. A&P investments as a percentage of revenue decreased ~100bps in Q3FY25. EBITDA margin at 23.4% contracted 20 bps.
- **Home Care (36% of revenue; segmental margin ~19%):** segment grew 5.4% YoY with high-single-digit underlying volume growth in Fabric Wash and Household Care. Fabric Wash performance was broad based, across formats. Liquids portfolio maintained its double-digit growth trajectory. The Household Care segment achieved high-single-digit UVG led by outperformance in the dishwash category. The launch of Sun, new liquid dishwash brand, is in line with strategic intent to democratise liquids within the mass segment.
- **Beauty & Wellbeing (22% of revenue; segmental margin 29%):** segment revenue grew 3% YoY while UVG witnessed a low-single-digit decline. Hair Care category delivered mid-single-digit competitive volume growth driven by strong growth in Dove, Tresemmé, and Clinic Plus. Performance was broad-based across sachets and formats of the future. Dove's Hair and Scalp Therapy and Tresemmé's Silk Press range were introduced to further strengthen future core and market makers portfolio. Skincare was impacted by delayed winter and Colour cosmetics had a muted quarter. The sequential improvement in mass skin performance was supported by portfolio expansion. Non-winter skin portfolio delivered a mid-single digit growth. During the quarter, Lakme's premium Rouge Bloom range, Glow and Lovely's Glass Bright cream and Pond's Youthful Miracle regime were launched.

Important Data

Nifty	22,829.15
Sensex	75,366.17
CMP (₹)	2,392
Market Cap (₹ Cr)	5,62,024
52W High/Low	3035/2,170
Shares o/s (crs)	234.96
BSE Code	500696
NSE Code	HINDUNILVR
Bloomberg Code	HUVR:IN

Shareholding Pattern (%) – Dec'24

Promoter	61.9
FII	11.4
DII	14.7
Public & Others	11.9

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	63.3	55.4	54.6

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
HUL	-2	4	15
Nifty 50	6	31	97
Sensex	6	30	85

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- **Personal Care (14% of revenue; segmental margin ~18%):** Revenue declined by ~3% YoY with mid-single volume growth. Strategic actions in Skin Cleansing have led to share gain in the quarter. Positive momentum was witnessed in the non-hygiene segment. Lifebuoy is being relaunched to address the declining hygiene segment. Bodywash continued to strengthen its market leadership with strong double-digit growth. Dove's Serum Shower collection of soap and bodywash was launched in the quarter. Oral Care delivered mid-single-digit growth led by Closeup.
- **Foods & Refreshment (24% of revenue; segmental margin ~20%):** Revenue growth was flat at ₹3745crs with mid-single digit price growth offset by a decline in volume. Tea delivered low-single-digit growth led by premium brands such as 3 Roses and Taj Mahal. Coffee grew double-digit, led by strong performance in organized trade. Nutrition drinks continued to strengthen their value and volume market leadership while the category declined due to subdued consumption. Packaged Foods delivered mid-single digit growth led by strong performance in future core and market makers segments. Ketchup, Mayonnaise, Food Solutions, International Sauces and Cuisines continued their strong volume performance. Ice-cream revenue remained flat year-on-year. This quarter saw the launch of a new flavor of Knorr's Korean Noodles and the expansion of Horlicks Strength Plus pan-India.
- Margins in the home care segment stood at 18.9% (80bps YoY), personal care stood at 17.9% (190bps YoY), Foods & Refreshments was 20.2% (110bps YoY), Beauty & Wellbeing was 28.6% (-300bps YoY).
- HUL has announced the acquisition of Minimalist, a premium brand, operating in the high-growth beauty space. HUL has acquired 90.5% stake in premium actives-led beauty brand Minimalist at a pre-money enterprise value of ₹ 2,955 cr. Transaction is expected to close in Q1FY26, subject to applicable regulatory approvals and customary closing conditions.
- The acquisition aims to leverage synergies and complementary capabilities between the two companies. It also underscores HUL's focus on premium, high-margin segments, aligning with parent company Unilever's global strategy to tap into low-penetration categories. The acquisition of Minimalist is a significant step in capturing the growing demand for niche, premium beauty brands.
- HUL also announced the acquisition of the **palm business undertaking of Vishwatej Oil Industries**. The backward integration will improve the supply of palm oil derivatives, a key raw material, and reduce palm oil price volatility in the long term.
- The board has approved the sale of the company's **Pureit** business to A.O. Smith's India arm for enterprise value of ₹601crs. This move is in line with strategic intent to focus on core business.
- Ice Cream business Kwality Wall's (India) Limited (KWIL) into a separately listed entity. While the strategic restructuring will free up resources for HUL's core portfolio, the demerger (ratio of 1:1) will unlock opportunities for existing shareholders, helped by value creation of the high-growth ice-cream business.

Risk

- Slower recovery in demand
- Inflationary raw material prices

VIEW

Topline growth of ~2% YoY was driven by price hikes in soaps and tea but held back by flat volume growth due to higher sales of small packs and higher growth in the lower-margin Home Care division. The Premium portfolio continued to outperform the mass segment. Real wage growth, food inflation, and employment levels will determine the pace of growth in the urban market. HUL has continued to execute on strategic priorities of transforming its portfolio whilst generating healthy EBITDA margins and cash flows.

With Minimalist brand acquisition, HUL aims to strengthen its position in the beauty and wellbeing market, tapping into the rising demand for D2C brands while strengthening its portfolio in high-growth categories.

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 ₹2392, it is trading at a P/E 52.3 to TTM EPS of ₹45.7. Investors should use the recent correction as an opportunity to accumulate the stock for the long term.

Consolidated Financials

(₹ Cr)

Particulars	Q3FY25	Q3FY24	VAR	Q2FY25	VAR	9MFY25	9MFY24	VAR
Sale of Products	15,559.0	15,259.0	2.0%	15,703.0	-0.9%	46,759.0	45,839.0	2.0%
Sale of Services	31.0	35.0		26.0		83.0	86.0	
Other Operating Income	228.0	273.0	-16.5%	197.0	15.7%	609.0	761.0	-20.0%
Total Operating Income	15,818.0	15,567.0	1.6%	15,926.0	-0.7%	47,451.0	46,686.0	1.6%
Other Income	232.0	214.0	8.4%	219.0	5.9%	708.0	580.0	22.1%
TOTAL INCOME	16,050.0	15,781.0	1.7%	16,145.0	-0.6%	48,159.0	47,266.0	1.9%
Cost Of Materials Consumed	4,749.0	5,027.0	-5.5%	5,005.0	-5.1%	14,628.0	14,646.0	-0.1%
Purchase of stock in trade	2,829.0	2,667.0	6.1%	2,914.0	-2.9%	8,471.0	7,946.0	6.6%
Stock Adjustment	123.0	(215.0)	-157.2%	(210.0)	-158.6%	(144.0)	(89.0)	61.8%
<i>RMC as a %age of sales</i>	<i>48.8%</i>	<i>48.2%</i>		<i>48.5%</i>		<i>48.5%</i>	<i>48.3%</i>	
Employee Benefit Expenses	743.0	706.0	5.2%	822.0	-9.6%	2,221.0	2,177.0	2.0%
<i>EPC as a %age of sales</i>	<i>4.7%</i>	<i>4.5%</i>		<i>5.2%</i>		<i>4.7%</i>	<i>4.7%</i>	
Advertisement & Promotion	1,507.0	1,626.0	-7.3%	1,501.0	0.4%	4,689.0	4,873.0	-3.8%
<i>Advertisement Expenses as a %age of sales</i>	<i>9.5%</i>	<i>10.5%</i>	<i>-0.9%</i>	<i>9.4%</i>		<i>9.9%</i>	<i>10.5%</i>	<i>-0.6%</i>
Other Expenses	2,172.0	2,090.0	3.9%	2,101.0	3.4%	6,354.0	6,005.0	5.8%
<i>Other Expenses as a %age of sales</i>	<i>13.8%</i>	<i>13.5%</i>		<i>13.2%</i>		<i>13.4%</i>	<i>12.9%</i>	
TOTAL EXPENDITURE	12,123.0	11,901.0	1.9%	12,133.0	-0.1%	36,219.0	35,558.0	1.9%
EBIDTA	3,695.0	3,666.0	0.8%	3,793.0	-2.6%	11,232.0	11,128.0	0.9%
<i>EBIDTA Margins %</i>	<i>23.4%</i>	<i>23.6%</i>	<i>-0.2%</i>	<i>23.9%</i>		<i>23.7%</i>	<i>23.9%</i>	<i>-0.2%</i>
Finance Costs	112.0	91.0	23.1%	110.0	1.8%	315.0	229.0	37.6%
PBDT	3,815.0	3,789.0	0.7%	3,902.0	-2.2%	11,625.0	11,479.0	1.3%
Depreciation	341.0	313.0	8.9%	338.0	0.9%	1,008.0	896.0	12.5%
PBT before exceptional items	3,474.0	3,476.0	-0.1%	3,564.0	-2.5%	10,617.0	10,583.0	0.3%
Exceptional items	507.0	(30.0)	-1790.0%	(22.0)	-2404.5%	443.0	(72.0)	-715.3%
PBT	3,981.0	3,446.0	15.5%	3,542.0	12.4%	11,060.0	10,511.0	5.2%
Tax	993.0	937.0	6.0%	947.0	4.9%	2,857.0	2,786.0	2.5%
<i>Tax Rate</i>	<i>24.9%</i>	<i>27.2%</i>		<i>26.7%</i>		<i>25.8%</i>	<i>26.5%</i>	
Reported Profit After Tax from Continuing Operation	2,988.0	2,509.0	19.1%	2,595.0	15.1%	8,203.0	7,725.0	6.2%
<i>PATM %</i>	<i>18.9%</i>	<i>16.2%</i>		<i>16.3%</i>		<i>17.3%</i>	<i>16.6%</i>	
Profit/Loss from Discontinued Operation	1.0	(1.0)	-200.0%	-	-	7.0	4.0	75.0%
Adjusted Profit After Extra-ordinary item	2,989.0	2,508.0	19.2%	2,595.0	15.2%	8,196.0	7,721.0	6.2%
Other Comprehensive Income (Net of tax)- net credit / (charge)	9.0	(7.0)		(4.0)		3.0	10.0	
Total Comprehensive Income	2,998.0	2,501.0	19.9%	2,591.0	15.7%	8,199.0	7,731.0	6.1%
EPS	12.7	10.7	19.2%	11.0	15.2%	34.9	32.9	6.2%
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)

Particulars	Q3FY25	Q3FY24	VAR [%]	Q2FY25	VAR [%]	9MFY25	9MFY24	VAR [%]
REVENUES								
Revenue from Operations	15,283.0	14,959.0	2.2%	15,926.0	-4.0%	46,916.0	46,078.0	1.8%
Home Care	5,739.0	5,444.0	5.42%	5,731.0	0.1%	17,143.0	16,173.0	6.00%
Mix %	37.6%	36.4%		36.0%		36.5%	35.1%	
Personal Care	2,243.0	2,315.0	-3.1%	2,411.0	-7.0%	7,040.0	7,349.0	-4.2%
Mix %	14.7%	15.5%		15.1%		15.0%	15.9%	
Foods & Refreshments	3,745.0	3,733.0	0.3%	3,803.0	-1.5%	11,398.0	11,381.0	0.1%
Mix %	24.5%	25.0%		23.9%		24.3%	24.7%	
Beauty & Wellbeing	3,556.0	3,467.0	2.6%	3,421.0	3.9%	10,258.0	9,974.0	2.8%
Mix %	23.3%	23.2%		21.5%		21.9%	21.6%	
Others	535	608	-	560.0	-100.0%	1,077.0	1,201.0	-10.3%
Mix %	0.0%	0.0%		9.8%		6.3%	7.4%	
Total Segment Revenue	15,818	15,567	2.2%	15,926.0	-4.0%	46,916.0	46,078.0	1.8%
Profit/Loss Before Interest and Tax								
	3,354.0	3,353.0	0.0%	3,455.0	-2.9%	10,224.0	10,232.0	-0.1%
Margin %	21.9%	22.4%		21.7%		21.8%	22.2%	
Home Care	1,086.0	989.0	9.8%	1,114.0	-2.5%	3,336.0	3,016.0	10.6%
Margin %	18.9%	18.2%		19.4%		19.5%	18.6%	
Personal Care	401.0	369.0	8.7%	407.0	-1.5%	1,233.0	1,282.0	-3.8%
Margin %	17.9%	15.9%		16.9%		17.5%	17.4%	
Foods & Refreshments	755.0	711.0	6.2%	690.0	9.4%	2,181.0	2,112.0	3.3%
Margin %	20.2%	19.0%		18.1%		19.1%	18.6%	
Beauty & Wellbeing	1,018.0	1,096.0	-7.1%	1,123.0	-9.3%	3,142.0	3,237.0	-2.9%
Margin %	28.6%	31.6%		32.8%		30.6%	32.5%	
Others	94.0	188.0	-50.0%	121.0	-22.3%	332.0	585.0	-43.2%
Margin %	-	-		21.6%		30.8%	48.7%	
Less : Interest	112.0	91.0	23.1%	110.0	1.8%	315.0	229.0	37.6%
Other Un-allocable Expenditure	1.0	(1.0)		22.0		(7.0)	(4.0)	
Add : Other Un-allocable Income	232.0	214.0	8.4%	219.0	5.9%	708.0	580.0	22.1%
Extra-Ordinary Income/Expense	507.0	(30.0)				443.0	(72.0)	
Net Profit/Loss Before Tax	3,982.0	3,445.0	15.6%	3,542.0	12.4%	11,053.0	10,507.0	5.2%

Source: Company, Way2Wealth

Coverage

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		
25-July-24	Q1FY25	2,717.0		
25-Oct-24	Q2FY25	2,503.0		

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Disclosure of Interest Statement: HINDUSTAN UNILEVER LTD as on 28 January 2025

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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