

- ❑ Hindustan Unilever Limited (HUVR) has reported a growth of 20.6% in its revenues at ₹1,21,820 million in Q3-FY21 as against ₹1,01,030 million in Q3-FY20. The domestic consumer growth during the quarter was 7% with underlying volume growth at 4%. The company has seen a strong sequential pickup in the quarter and expects this to continue. Seven of its categories namely, household care, skin cleansing, hair, oral, tea, nutrition and packaged foods have grown in double digits.
- ❑ The company's EBITDA margins for the latest quarter stood at 24.3% at ₹29,630 million as against 25% at ₹25,290 million in Q3-FY20. The profit after tax (PAT) margins for the company stood at 16% at ₹19,540 million as against 16.1% at ₹16,260 million. The operating margins declined marginally due to increase in raw material costs due to inflation which was largely mitigated by improved mix, leverage in operating costs and price hikes.
- ❑ In terms of business segments, Home Care segment reported a decline in growth at 1.4% on back of unfavourable category consumption mix due to covid-19. However as the mobility improves the company expects it to pick up going ahead.
- ❑ In Homecare segment, the company has launched 'Nature Protect' a range of multi category hygiene mix powered by plant-based actives. It has also entered new demand spaces with launch of 'Vim Matic Dishwash', 'Surf Excel Smart Spray' and 'Surf Excel Active Hygiene'.
- ❑ The Beauty & Personal care segment 9% with robust performance across categories and strong double-digit growths in Skin Cleansing, Hair Care and Oral Care. Skin Care portfolio growths were led by good demand pick-up in the winter portfolio. The Color Cosmetics performance has improved sequentially. During this quarter, the company launched 'Vaseline AntiBacterial Hand Cream' and a new range of 'Dove' body lotions.
- ❑ The Foods & Refreshment continues to sustain the high growth momentum. In Tea, all its brands continue to grow in high double-digits and well ahead of the markets.
- ❑ Going ahead in near term, the company expects increase in mobility, economic activity in the country to continue to improve which should continue to improve demand outlook. The company also expects to see revival in urban while rural should continue to do well. In terms of raw material costs, the company expects some inflationary pressure in select commodities and is confident of managing the same.
- ❑ We have updated our estimates factoring in latest numbers, we continue to remain positive on the company in the long run and maintain our **BUY** rating on Hindustan Unilever Limited (HUVR) with a revised target price of **₹2,524 per share**.

## Q3-FY21 Results

(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Net Sales	1,21,810	1,01,030	20.6%	3,45,950	3,05,720	13.2%
Operating Expense	92,180	75,740	21.7%	2,60,120	2,28,110	14.0%
EBITDA	29,630	25,290	17.2%	85,830	77,610	10.6%
Other Income	540	1,050		3,010	3,680	
Depreciation	2,860	2,480		8,080	7,310	
EBIT	27,310	23,860	14.5%	80,760	73,980	9.2%
Interest	440	270		1,060	880	
PBT	26,870	23,590	13.9%	79,700	73,100	9.0%
Tax	6,980	6,280		19,080	19,250	
Exceptional Items	(510)	(1,000)		(2,530)	(1,410)	
<b>PAT</b>	<b>19,380</b>	<b>16,310</b>	<b>18.8%</b>	<b>58,090</b>	<b>52,440</b>	<b>10.8%</b>
Minority /Other Adj.	160	(50)		140	(90)	
<b>Consolidated PAT</b>	<b>19,540</b>	<b>16,260</b>	<b>20.2%</b>	<b>58,230</b>	<b>52,350</b>	<b>11.2%</b>

Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	24.3%	25.0%	-71	24.8%	25.4%	-58
Net Margin %	16.0%	16.1%	-5	16.8%	17.1%	-29

## Financials:

(In ₹ Mn.)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	3,93,110	3,97,830	4,57,104	5,26,006
Operating Expense	3,04,310	2,99,280	3,40,933	3,90,892
EBITDA	88,800	98,550	1,16,171	1,35,114
Other Income	5,500	6,320	6,857	7,890
Depreciation	5,650	10,020	10,970	12,624
EBIT	88,650	94,850	1,12,057	1,30,380
Interest	330	1,180	1,127	1,127
Misc. items	(2,280)	(2,000)	-	-
PBT	86,040	91,670	1,10,931	1,29,253
Tax	25,440	24,110	29,176	33,995
Minority Interest	(60)	(80)	-	-
PAT	60,540	67,480	81,755	95,258

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	10.6%	1.2%	14.9%	15.1%
Operating Margin %	22.6%	24.8%	25.4%	25.7%
Net Margin %	15.4%	17.0%	17.9%	18.1%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-19	FY-20	FY-21E	FY-22E
<b>Liabilities</b>				
Equity Share Capital	2,400	2,310	2,310	2,310
Reserves & Surplus	76,270	79,980	1,03,654	1,33,255
Total Shareholder's Funds	78,670	82,290	1,05,964	1,35,565
Minority Interest	180	170	170	170
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	20,770	25,900	25,900	25,900
Deferred Tax Liability	(3,730)	(2,840)	(2,840)	(2,840)
Short-term Liabilities	86,670	93,170	1,07,052	1,23,188
<b>Total</b>	<b>1,82,560</b>	<b>1,98,690</b>	<b>2,36,245</b>	<b>2,81,983</b>
<b>Assets</b>				
Net Fixed Assets	51,250	60,940	61,420	62,577
Long-Term L&A	12,070	14,670	14,670	14,670
Non Current Investments	20	20	20	20
Other Non-Current Assets	120	30	30	30
Current Asset	1,19,100	1,23,030	1,60,105	2,04,686
<b>Total</b>	<b>1,82,560</b>	<b>1,98,690</b>	<b>2,36,245</b>	<b>2,81,983</b>
(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	28.0	31.2	37.8	44.0
P/E (x)	77.4	69.4	57.3	49.2
P/B (x)	59.5	56.9	44.2	34.6
ROE	66.4%	71.6%	77.0%	82.0%
ROCE	90.1%	88.0%	86.7%	82.1%

## Key Risks:

- ❑ The company's business is exposed to palm oil price risks. Any significant rise could lower margins from expectations.
- ❑ The company's business is indirectly exposed to overall economic factors like inflation, interest rates and forex rates. Any significant adverse volatility could lower revenue growth than estimated.

## Rating and Target Price history:

### HUVR rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 17 February 2021 close.

### HUVR rating details

Date	Rating	Target Price (₹)	Share Price (₹)
03-Dec-18	BUY	2,250	1,836
25-Jan-19	BUY	2,250	1,755
30-May-19	BUY	2,250	1,784
30-May-19	BUY	2,250	1,784
06-Aug-19	BUY	2,250	1,747
17-Oct-19	BUY	2,422	2,104
07-Feb-20	BUY	2,422	2,161
05-May-20	BUY	2,452	2,039
17-Feb-21	BUY	2,524	2,164

Source: Bloomberg, Anand Rathi Research

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