

Retail Equity Research

Hindustan Unilever Limited

Household Products

BSE CODE: 500696

NSE CODE: HINDUNILVR

Bloomberg CODE: HUVR:IN

SENSEX: 54,209

BUY

12 Months Investment period Rating as per Large Cap

CMP Rs. 2,291 TARGET Rs. 2,620 RETURN 14%

(Closing: 18-05-22) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Strong performance...

Hindustan Unilever (HUL), a subsidiary of Unilever PLC, is India's leading FMCG Company. It has over 35 brands spanning across 20 distinct categories, such as soaps, detergents, shampoos and skin care.

- Q4FY22 standalone revenue up 11.0% YoY to Rs. 13,462cr (+2.8% QoQ), driven by calibrated pricing actions to combat inflationary pressures.
- EBITDA margin contracted 30bps YoY to 24.1%, largely owing to higher cost inflation and increased A&P spends. Adj. PAT grew 6.6% YoY to Rs 2,269cr (-1.7% QoQ).
- We expect HUL's strategic clarity, the strength of their brands, aggregation progress and agility and adaptability will drive superior business performance in the coming months. Hence, we reiterate our BUY rating with a revised TP of Rs. 2,620 based on 56x FY24E Adj. EPS.

Calibrated pricing actions continue to aid topline growth

Standalone revenue grew 11.0% YoY to Rs. 13,462cr (+2.8% QoQ) in Q4FY22, aided by product price increases to offset input cost inflation, but was below expectations. However, consumers are tightening volumes and essentials are being prioritized over discretionary categories. Among its verticals, Home Care segment recorded 23.7% YoY growth in sales to Rs. 4,750cr (+13.3% QoQ), largely driven by strong broad-based performance in fabric wash and household care. Beauty & Personal Care (BPC) segment grew 3.6% YoY to Rs. 4,712cr (-8.9% QoQ), led by strong double-digit growth in skin care and hair care. Foods & Refreshment (F&R) segment rose 5.3% YoY to Rs. 3,698cr (17.1% QoQ), due to solid performance in tea business and ice creams.

Margins maintained in healthy range

In Q4FY22, EBITDA grew 9.7% YoY to Rs. 3,245cr (-1.0% QoQ), with EBITDA margin contracting 30bps YoY (-90bps QoQ) to 24.1%, mainly due to increased input cost inflation and higher A&P spends, which stood at 9.58% and higher other expenses at 11.8% of sales. EBIT margin for Home Care, BPC and F&R verticals stood at 19.8%, 26.2% and 19.3%, respectively vs. 21.0%, 27.9% and 19.0% in Q3FY22. Adjusting for exceptional items, PAT grew 6.6% YoY to Rs. 2,269cr (-1.7% QoQ).

Key highlights

- In FY22, HUL has crossed Rs. 50,000cr turnover mark on account of strong marketing and R&D capabilities that enables them to quickly pick up consumer trend and addressment.
- Market share gain this year is the highest YoY market share gain HUL has seen in more than a decade.
- In calendar year 2021, HUL have become plastic neutral, by having collected and safely disposed more plastic waste than what they use in packaging finished products.
- HUL has won several awards in FY22: 31 awards for various media campaigns, including Best Media Client of the Year.

Valuation

Trusted brands, wide portfolio, agile and flexible supply chain, and growing consumer franchise augur well for the company to protect its business model in the long term. Strong marketing and R&D capabilities, leading digital transformation along with calibrated pricing actions to combat input cost inflation will enable the firm to grow its consumer franchise. Hence, we reiterate our BUY rating with a revised target price of Rs. 2,620 based on 56x FY24E Adj. EPS.

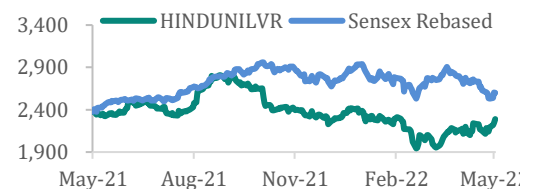
Company Data

Market Cap (cr)	Rs. 538,385
Enterprise Value (cr)	Rs. 536,424
Outstanding Shares (cr)	235.0
Free Float	38.0%
Dividend Yield	1.5%
52 week high	Rs. 2,859
52 week low	Rs. 1,902
6m average volume (Lac)	1.1
Beta	0.6
Face value	Rs. 1

Shareholding %	Q2FY22	Q3FY22	Q4FY22
Promoters	61.9	61.9	61.9
FII's	15.1	14.7	13.7
MFs/Insti	10.8	10.9	11.6
Public	11.1	11.3	11.6
Others	1.1	1.2	1.2
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-0.9%	-4.5%	-3.5%
Absolute Sensex	-6.3%	-9.1%	8.0%
Relative Return*	5.3%	4.6%	-11.5%

*over or under performance to benchmark index



Standalone (cr)	FY22A	FY23E	FY24E
Sales	51,193	55,949	61,489
Growth (%)	11.3	9.3	9.9
EBITDA	12,518	13,562	15,192
EBITDA Margin (%)	24.5	24.2	24.7
Adj. PAT	8,724	9,708	10,982
Growth (%)	9.6	11.3	13.1
Adj. EPS	37.1	41.3	46.7
Growth (%)	9.5	11.3	13.1
P/E	55.2	55.5	49.0
P/B	9.9	10.8	10.6
EV/EBITDA	38.4	39.6	35.2
ROE (%)	18.1	19.5	21.6
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
Revenue	13,462	12,132	11.0	13,092	2.8	51,193	45,996	11.3
EBITDA	3,245	2,957	9.7	3,279	(1.0)	12,503	11,324	10.4
EBITDA margins	24.1	24.4	(30bps)	25.0	(90bps)	24.4	24.6	(20bps)
Depreciation	261	249	4.8	255	2.4	1,025	1,012	1.3
EBIT	2,984	2,708	10.2	3,024	(1.3)	11,478	10,312	11.3
Interest	36	9	300.0	25	44.0	98	108	(9.3)
Other Income	122	109	11.9	91	34.1	393	513	(23.4)
Exceptional Items	58	14	314.3	(66)	187.9	(34)	(227)	85.0
PBT	3,128	2,822	10.8	3,024	3.4	11,739	10,490	11.9
Tax	801	679	18.0	781	2.6	2,921	2,536	15.2
Share of profit from Associate	-	-	n.m.	-	n.m.	-	-	n.m.
Minority Interest	-	-	n.m.	-	n.m.	-	-	n.m.
Reported PAT	2,327	2,143	8.6	2,243	3.7	8,818	7,954	10.9
Adjustments	(58)	(14)	(314.3)	66	(187.9)	34	227	(85.0)
Adj. PAT	2,269	2,129	6.6	2,309	(1.7)	8,852	8,181	8.2
No. of shares	235.0	235.0	-	235.0	-	235.0	235.0	-
Adj. EPS (Rs.)	9.7	9.1	6.6	9.8	(1.7)	37.7	34.8	8.2

Segment-wise Revenue

(Rs. Cr)	Q4FY22	Q4FY21	YoY Growth %	Q3FY22	QoQ Growth %	FY22	FY21	YoY Growth %
Home Care	4,750	3,840	23.7	4,193	13.3	16,578	13,959	18.8
Beauty & Personal Care	4,712	4,549	3.6	5,175	(8.9)	19,460	17,964	8.3
Foods & Refreshments	3,698	3,511	5.3	3,466	6.7	14,105	13,204	6.8
Others	302	232	30.2	258	17.1	1,050	869	20.8
Total segment revenue	13,462	12,132	11.0	13,092	2.8	51,193	45,996	11.3

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	56,641	62,255	55,949	61,489	(1.2)	(1.2)
EBITDA	13,852	15,422	13,562	15,192	(2.1)	(1.5)
Margins (%)	24.5	24.8	24.2	24.7	(30bps)	(10bps)
Adj. PAT	10,168	11,458	9,708	10,982	(4.5)	(4.2)
Adj. EPS	43.3	48.8	41.3	46.7	(4.5)	(4.2)

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	38,785	45,996	51,193	55,949	61,489
% change	1.5	18.6	11.3	9.3	9.9
EBITDA	9,600	11,381	12,518	13,562	15,192
% change	11.1	18.6	10.0	8.3	12.0
Depreciation	938	1,069	1,040	1,025	1,033
EBIT	8,662	10,312	11,478	12,536	14,159
Interest	106	108	98	64	82
Other Income	536	286	359	472	566
PBT	9,092	10,490	11,739	12,944	14,642
% change	6.7	15.4	11.9	10.3	13.1
Tax	2,354	2,536	2,921	3,236	3,661
Tax Rate (%)	25.9	24.2	24.9	25.0	25.0
Reported PAT	6,738	7,954	8,818	9,708	10,982
Adj*	5	9	(94)	-	-
Adj PAT	6,743	7,963	8,724	9,708	10,982
% change	10.9	18.1	9.6	11.3	13.1
No. of shares (cr)	216.5	235.0	235.0	235.0	235.0
Adj EPS (Rs.)	31.2	33.9	37.1	41.3	46.7
% change	10.9	8.8	9.5	11.3	13.1
DPS (Rs.)	25.0	31.0	34.0	37.0	42.0
CEPS (Rs.)	35.5	38.4	41.5	45.7	51.1

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	7,676	9,023	9,858	10,733	12,015
Non-cash adj.	(2)	406	(157)	(216)	(94)
Changes in W.C	(369)	(472)	(737)	415	493
C.F. Operation	7,305	8,957	8,964	10,932	12,413
Capital exp.	(713)	(3,954)	(744)	(1,280)	(1,382)
Change in inv.	2,249	2,347	(793)	175	165
Other invest.CF	390	240	(195)	-	-
C.F - Investment	1,926	(1,367)	(1,732)	(1,106)	(1,217)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(6,244)	(8,811)	(7,519)	(8,695)	(9,870)
Other finance.CF	(432)	(469)	(465)	(64)	(82)
C.F - Finance	(6,676)	(9,280)	(7,984)	(8,759)	(9,952)
Chg. in cash	2,555	(1,690)	(752)	1,067	1,244
Closing cash	3,130	1,740	988	2,055	3,299

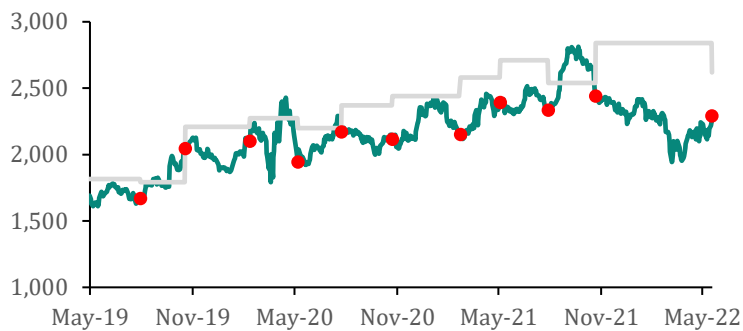
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	3,130	1,740	988	2,055	3,299
Accounts Receivable	1,046	1,648	1,932	2,139	2,382
Inventories	2,636	3,383	3,890	4,119	4,376
Other Cur. Assets	5,096	6,869	7,837	7,764	7,717
Investments	252	312	612	613	615
Gross Fixed Assets	6,882	10,836	11,580	12,860	14,242
Net Fixed Assets	4,112	5,163	4,912	4,843	4,863
CWIP	513	623	901	946	993
Intangible Assets	431	45,241	45,221	45,500	45,782
Def. Tax (Net)	261	-	-	-	-
Other Assets	2,125	3,137	3,444	3,600	3,769
Total Assets	19,602	68,116	69,737	71,579	73,795
Current Liabilities	9,104	10,841	10,944	11,771	12,746
Provisions	1,198	1,551	1,553	1,398	1,258
Debt Funds	-	-	-	-	-
Other Liabilities	1,269	8,290	8,480	8,638	8,906
Equity Capital	216	235	235	235	235
Reserves & Surplus	7,815	47,199	48,525	49,538	50,650
Shareholder's Fund	8,031	47,434	48,760	49,773	50,885
Minority Interest	-	-	-	-	-
Total Liabilities	19,602	68,116	69,737	71,579	73,795
BVPS (Rs.)	37	202	207	212	217

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	24.8	24.7	24.5	24.2	24.7
EBIT margin (%)	22.3	22.4	22.4	22.4	23.0
Net profit mgn.(%)	17.4	17.3	17.2	17.4	17.9
ROE (%)	83.9	16.8	18.1	19.5	21.6
ROCE (%)	107.9	21.7	23.5	25.2	27.8
W.C & Liquidity					
Receivables (days)	9.8	13.1	13.8	14.0	14.1
Inventory (days)	54.1	57.0	56.5	54.8	52.9
Payables (days)	151.8	145.3	128.8	129.1	129.5
Current ratio (x)	1.3	1.3	1.3	1.4	1.4
Quick ratio (x)	0.8	0.8	0.8	0.9	0.9
Turnover & Leverage					
Gross asset T.O (x)	6.3	5.2	4.6	4.6	4.5
Total asset T.O (x)	2.1	1.0	0.7	0.8	0.8
Int. coverage ratio (x)	81.7	95.5	117.1	195.2	172.3
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	12.7	12.4	9.4	9.6	8.7
EV/EBITDA (x)	51.5	50.0	38.4	39.6	35.2
P/E (x)	73.8	71.7	55.2	55.5	49.0
P/BV (x)	61.9	12.0	9.9	10.8	10.6

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
7-May-20	HOLD	2,200
24-Jul-20	HOLD	2,370
23-Oct-20	BUY	2,440
22-Feb-21	BUY	2,580
4-May-21	BUY	2,710
29-Jul-21	HOLD	2,540
22-Oct-21	BUY	2,840
19-May-22	BUY	2,620

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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