

# Retail Equity Research

## Hindustan Unilever Limited

Household Products

BSE CODE: 500696

NSE CODE: HINDUNILVR

Bloomberg CODE: HUVR:IN

SENSEX: 63,783

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 2,480 TARGET Rs. 2,820 RETURN 14% ↑  
(Closing: 27-10-23)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

### Gradual volume recovery ahead

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

- HUL reported a revenue growth of 3.6% YoY in Q2FY24, backed by growth across all segments.
- Gross profit was up 19.2% YoY, owing to a significant fall in raw material cost (down 15.1% YoY). EBITDA rose 9.4% YoY. EBITDA margin expanded ~130bps YoY. Net profit increased 3.9% YoY.
- HUL reported a resilient performance in Q2FY24. Recovery in volumes and continued improvement in market share will add to the topline. Also fall in input cost prices will aid in expansion of margins. We remain optimistic and reiterate our BUY rating on the stock with a revised target price of Rs. 2,820 based on 54x FY25E adj. EPS.

### Moderate volume growth supports topline.

HUL's revenue improved 3.6% YoY to Rs. 15,276cr in Q2FY24, owing to underlying volume growth of 2%. Segmental performance stood as follows; Home Care segment (HC) revenue improved 3.3% YoY, owing to volume growth, led by rigid performance in fabric wash and household care, with Surf and Comfort volumes growing in double digits and household care recording single-digit growth. Promotional activities were ramped up to protect the company's position in the market. The Beauty & Personal Care (BPC) segment grew 4.5% YoY, with double-digit growth in skin care and cosmetics. Oral care and hair care logged single-digit growth. Skin cleansing reported low-single digit growth. In the Foods & Refreshment (F&R) segment, revenue rose 2.6% YoY, owing to double-digit growth in coffee, and single-digit growth across health food drinks, ice creams, and food business. Tea witnessed stagnant growth.

### Lower input costs aid margins

Gross profit was up 19.2% YoY. Gross margin expanded 692bps YoY in Q2FY24, owing to a drop in raw material prices. A significant increase in selling and distribution expenses (up 65.2% YoY) and increase in other expenses (up 18.6% YoY) subdued the increase in EBITDA to 9.4% YoY, with margin expansion by ~130bps YoY in Q2FY24. Despite increase in finance costs to Rs 72cr in Q2FY24 from Rs 25cr in Q2FY23, net profit increased 3.9% YoY to Rs 2,717cr.

### Key concall highlights

- The company expects volume to recover gradually and price growth to be marginally negative if commodity prices remain stable.
- The resurgence of small, regional players in key categories and price segments has led to intense competition in the FMCG market.
- With the upcoming festive season and softening inflation, near-term outlook remains positive.

### Valuation

HUL reported a decent performance in Q2FY24 with both topline and volumes improving. Despite intense competition, recovery in volumes and continued improvement in market share are expected to support performance in future. Further, fall in raw material prices will aid in volume growth as the benefit of lower costs will be passed on to consumers. Being the market leader, HUL is well positioned to reap the benefits of its high market share across verticals in the near future. We reiterate our BUY rating on the stock with a revised target price of Rs. 2,820 using a target multiple of 54x P/E on FY25E adj. EPS.

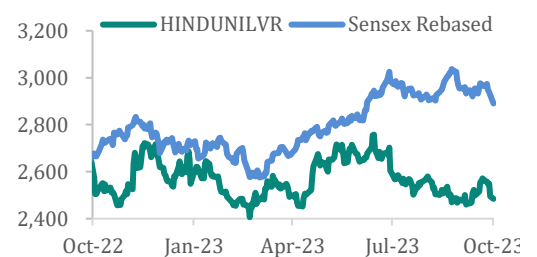
### Company Data

Market Cap (cr)	Rs.583,881
Enterprise Value (cr)	Rs.583,837
Outstanding Shares (cr)	235.0
Free Float	38.0%
Dividend Yield	1.6%
52 week high	Rs.2,769
52 week low	Rs.2,393
6m average volume	70,558
Beta	0.5
Face value	Rs.1

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	61.9	61.9	61.9
FII's	14.4	14.5	13.9
MFs/Insti	11.6	11.6	12.0
Public	12.0	11.3	12.0
Others	0.2	0.8	0.2
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	-4.6%	-0.5%	-6.4%
Absolute Sensex	-3.2%	8.2%	8.9%
Relative Return*	-1.4%	-8.8%	-15.3%

\*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Sales	59,144	63,596	69,420
Growth (%)	15.5	7.5	9.2
EBITDA	13,647	14,994	16,755
EBITDA Margin (%)	23.1	23.6	24.1
Adj. PAT	9,720	10,894	12,263
Growth (%)	12.0	12.1	12.6
Adj. EPS	41.4	46.4	52.2
Growth (%)	12.1	12.1	12.6
P/E	61.8	53.6	47.6
P/B	12.0	11.4	11.2
EV/EBITDA	44.1	38.9	34.8
ROE (%)	19.8	21.4	23.6
D/E	0.0	0.0	0.0

## Quarterly Financials (Standalone)

### Profit & Loss Account

	Q2FY24	Q2FY23	YoY Growth %	Q1FY24	QoQ Growth %	H1FY24	H1FY23	YoY Growth %
Revenue	15,276	14,751	3.6	15,148	0.8	30,424	29,023	4.8
<b>EBITDA</b>	<b>3,694</b>	<b>3,377</b>	<b>9.4</b>	<b>3,521</b>	<b>4.9</b>	<b>7,215</b>	<b>6,624</b>	<b>8.9</b>
EBITDA margins	24.2	22.9	130bps	23.2	100bps	23.7	22.8	90bps
Depreciation	269	248	8.5	257	4.7	526	508	3.5
<b>EBIT</b>	<b>3,425</b>	<b>3,129</b>	<b>9.5</b>	<b>3,264</b>	<b>4.9</b>	<b>6,689</b>	<b>6,116</b>	<b>9.4</b>
Interest	72	25	188.0	47	53.2	119	51	133.3
Other Income	283	115	146.1	185	53.0	468	252	85.7
Exceptional Items	(5)	(28)	82.1	(37)	86.5	(42)	(40)	(5.0)
Share of profit from Associate	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>3,631</b>	<b>3,191</b>	<b>13.8</b>	<b>3,365</b>	<b>7.9</b>	<b>6,996</b>	<b>6,277</b>	<b>11.5</b>
Tax	914	575	59.0	893	2.4	1,807	1,372	31.7
<b>Reported PAT</b>	<b>2,717</b>	<b>2,616</b>	<b>3.9</b>	<b>2,472</b>	<b>9.9</b>	<b>5,189</b>	<b>4,905</b>	<b>5.8</b>
Minority Interest	-	-	-	-	-	-	-	-
<b>PAT att. to shareholders</b>	<b>2,717</b>	<b>2,616</b>	<b>3.9</b>	<b>2,472</b>	<b>9.9</b>	<b>5,189</b>	<b>4,905</b>	<b>5.8</b>
Adjustments	5	28	(82.1)	37	(86.5)	42	40	5.0
<b>Adj. PAT</b>	<b>2,722</b>	<b>2,644</b>	<b>3.0</b>	<b>2,509</b>	<b>8.5</b>	<b>5,231</b>	<b>4,945</b>	<b>5.8</b>
No. of shares	235.0	235.0	-	235.0	-	235.0	235.0	-
<b>Adj. EPS (Rs.)</b>	<b>11.6</b>	<b>11.3</b>	<b>3.0</b>	<b>10.7</b>	<b>8.5</b>	<b>22.3</b>	<b>21.0</b>	<b>5.8</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	65,100	72,350	63,596	69,420	(2.3)	(4)
EBITDA	15,081	17,075	14,994	16,755	(0.6)	(1.9)
Margins (%)	23.2	23.6	23.6	24.1	40bps	50bps
Adj. PAT	11,047	12,598	10,894	12,263	(1.4)	(2.7)
Adj. EPS	47.0	53.6	46.4	52.2	(1.4)	(2.7)

## PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenue</b>	<b>45,996</b>	<b>51,193</b>	<b>59,144</b>	<b>63,596</b>	<b>69,420</b>
% change	18.6	11.3	15.5	7.5	9.2
<b>EBITDA</b>	<b>11,381</b>	<b>12,518</b>	<b>13,647</b>	<b>14,994</b>	<b>16,755</b>
% change	18.6	10.0	9.0	9.9	11.7
Depreciation	1,069	1,040	1,045	1,050	1,051
<b>EBIT</b>	<b>10,312</b>	<b>11,478</b>	<b>12,602</b>	<b>13,944</b>	<b>15,704</b>
Interest	108	98	101	218	234
Other Income	286	359	578	800	880
<b>PBT</b>	<b>10,490</b>	<b>11,739</b>	<b>13,079</b>	<b>14,526</b>	<b>16,351</b>
% change	15.4	11.9	11.4	11.1	12.6
Tax	2,536	2,921	3,117	3,631	4,088
Tax Rate (%)	24.2	24.9	23.8	25.0	25.0
<b>Reported PAT</b>	<b>7,954</b>	<b>8,818</b>	<b>9,962</b>	<b>10,894</b>	<b>12,263</b>
<b>PAT att. to common shareholders</b>	<b>7,954</b>	<b>8,818</b>	<b>9,962</b>	<b>10,894</b>	<b>12,263</b>
Adj*	9	(143)	(242)	-	-
<b>Adj PAT</b>	<b>7,963</b>	<b>8,675</b>	<b>9,720</b>	<b>10,894</b>	<b>12,263</b>
% change	18.1	8.9	12.0	12.1	12.6
No. of shares (cr)	235.0	235.0	235.0	235.0	235.0
<b>Adj EPS (Rs.)</b>	<b>33.9</b>	<b>36.9</b>	<b>41.4</b>	<b>46.4</b>	<b>52.2</b>
% change	8.8	8.9	12.1	12.1	12.6
DPS (Rs.)	31.0	34.0	39.0	43.0	48.0

## CASH FLOW

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Net inc. + Depn.</b>	<b>9,023</b>	<b>9,858</b>	<b>11,007</b>	<b>11,944</b>	<b>13,314</b>
Non-cash adj.	406	(157)	(1,049)	175	(379)
Changes in W.C	(472)	(737)	(332)	(392)	246
<b>C.F. Operation</b>	<b>8,957</b>	<b>8,964</b>	<b>9,626</b>	<b>11,727</b>	<b>13,181</b>
Capital exp.	(3,954)	(744)	(861)	(1,073)	(1,321)
Change in inv.	2,347	(793)	(400)	140	132
Other invest.CF	240	(195)	199	(100)	(100)
<b>C.F - Investment</b>	<b>(1,367)</b>	<b>(1,732)</b>	<b>(1,062)</b>	<b>(1,034)</b>	<b>(1,289)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(8,811)	(7,519)	(8,459)	(10,103)	(11,278)
Other finance.CF	(469)	(465)	(507)	(144)	(193)
<b>C.F - Finance</b>	<b>(9,280)</b>	<b>(7,984)</b>	<b>(8,966)</b>	<b>(10,246)</b>	<b>(11,470)</b>
Chg. in cash	(1,690)	(752)	(402)	447	422
Closing cash	1,740	988	586	1,033	1,455

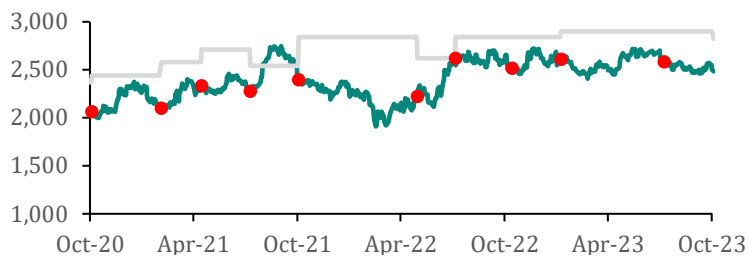
## BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	1,740	988	586	1,033	1,455
Accounts Receivable	1,648	1,932	2,735	3,180	3,506
Inventories	3,383	3,890	4,031	4,365	4,879
Other Cur. Assets	6,869	7,837	8,697	8,530	8,524
Investments	312	612	983	1,084	1,186
Gross Fixed Assets	7,414	8,184	9,087	10,105	11,146
Net Fixed Assets	5,163	4,912	5,169	5,086	5,023
CWIP	623	901	1,020	1,071	1,125
Intangible Assets	45,241	45,221	45,216	45,272	45,551
Def. Tax (Net)	-	-	-	-	-
Other Assets	3,137	3,444	3,388	3,551	3,727
<b>Total Assets</b>	<b>68,116</b>	<b>69,737</b>	<b>71,825</b>	<b>73,171</b>	<b>74,975</b>
Current Liabilities	10,577	10,659	11,334	11,708	12,792
Provisions	1,551	1,553	1,335	1,308	1,282
Debt Funds	943	971	1,039	1,114	1,155
Other Liabilities	7,611	7,794	7,896	8,028	7,748
Equity Capital	235	235	235	235	235
Reserves & Surplus	47,199	48,525	49,986	50,778	51,763
Shareholder's Fund	47,434	48,760	50,221	51,013	51,998
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>68,116</b>	<b>69,737</b>	<b>71,825</b>	<b>73,171</b>	<b>74,975</b>
<b>BVPS (Rs.)</b>	<b>202</b>	<b>207</b>	<b>214</b>	<b>217</b>	<b>221</b>

## RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	24.7	24.5	23.1	23.6	24.1
EBIT margin (%)	22.4	22.4	21.3	21.9	22.6
Net profit mgn.(%)	17.3	17.2	16.8	17.1	17.7
ROE (%)	16.8	18.1	19.8	21.4	23.6
ROCE (%)	21.3	23.1	24.6	26.8	29.5
<b>W.C &amp; Liquidity</b>					
Receivables (days)	13.1	13.8	16.9	18.3	18.4
Inventory (days)	57.0	56.5	47.2	45.6	46.7
Payables (days)	145.3	128.8	110.1	102.2	104.0
Current ratio (x)	1.3	1.3	1.4	1.4	1.4
Quick ratio (x)	0.8	0.8	0.9	0.9	0.9
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	6.4	6.6	6.8	6.6	6.5
Total asset T.O (x)	1.0	0.7	0.8	0.9	0.9
Int. coverage ratio (x)	95.5	117.1	124.8	63.9	67.2
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	12.4	9.2	10.2	9.2	8.4
EV/EBITDA (x)	50.1	37.8	44.1	38.9	34.8
P/E (x)	71.7	54.5	61.8	53.6	47.6
P/BV (x)	12.0	9.7	12.0	11.4	11.2

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
29-Jul-21	HOLD	2,540
22-Oct-21	BUY	2,840
19-May-22	BUY	2,620
25-Jul-22	HOLD	2,840
2-Nov-22	BUY	2,840
27-Jan-23	BUY	2,900
28-Jul-23	BUY	2,900
27-Oct-23	BUY	2,820

## 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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

## DISCLAIMER & DISCLOSURES

**Certification:** I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

### Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd ( a company incorporated under IFSC Regulations (yet to start operations)), Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Vincent K A, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

## 7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing. Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

