

January 19, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	2,724		2,786	
Sales (Rs.m)	6,11,331	6,63,734	6,18,629	6,83,216
% Chng.	(1.2)	(2.9)		
EBITDA (Rs.m)	1,44,305	1,59,092	1,47,374	1,65,760
% Chng.	(2.1)	(4.0)		
EPS (Rs.)	43.8	47.7	44.7	49.8
% Chng.	(2.2)	(4.2)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	591	611	664	728
EBITDA (Rs. bn)	136	144	159	174
Margin (%)	23.0	23.6	24.0	23.9
PAT (Rs. bn)	100	103	112	122
EPS (Rs.)	42.7	43.8	47.7	51.8
Gr. (%)	13.2	2.6	8.9	8.7
DPS (Rs.)	36.0	40.0	45.0	49.0
Yield (%)	1.4	1.6	1.8	1.9
RoE (%)	20.3	20.3	21.8	23.5
RoCE (%)	25.5	26.3	28.6	31.0
EV/Sales (x)	10.1	9.7	8.9	8.1
EV/EBITDA (x)	43.7	41.2	37.3	33.9
PE (x)	60.1	58.6	53.8	49.5
P/BV (x)	12.0	11.8	11.7	11.5

Key Data

HLL.BO | HUVR IN

52-W High / Low	Rs.2,770 / Rs.2,393
Sensex / Nifty	71,683 / 21,622
Market Cap	Rs.6,028bn/ \$ 72,565m
Shares Outstanding	2,350m
3M Avg. Daily Value	Rs.4183.73m

Shareholding Pattern (%)

Promoter's	61.90
Foreign	13.65
Domestic Institution	12.38
Public & Others	12.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.2	(4.0)	(3.2)
Relative	(0.2)	(10.1)	(17.8)

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Near term challenges persist

Quick Pointers:

- 3Q24 volumes up 2%, expect slow & modest recovery amidst competition
- Rural income and winter crop outlook key to recovery

We cut FY25/26EPS by 4.2%/4.5% factoring in 1) sustained pressure on volumes 2) lower pricing element to support growth & ward off competition from local/regional players and 3) higher investments in A&P and capability building for LT growth. HC & BPC (75% of sales) continue to grow volumes in mid-single digits while F&R is under pressure due to volatile commodity prices and consumer downgrading. Rural growth is showing signs of pickup; however, a lot depends upon outlook for new crop. While long term growth story led by lower penetration and superior value proposition remains intact, near term growth challenges are likely to persist. We factor in GM/EBITDAM expansion of 90/30bps over FY24-26 as HUL invests gains from better mix and commodity pricing in advertising, royalty and innovations. We estimate CAGR of 9.2% in sales and 8.8% in PAT over FY24-26 and assign a DCF based target price of Rs2724 (Rs2786 earlier). We expect slow and modest recovery resulting in tepid growth in near term which will provide back ended returns. Retain Hold.

3Q Volumes up 2%: Revenues declined by -0.3% YoY to Rs151.9bn (PLe: Rs149.2bn) Gross margins expanded by 401bps YoY to 51.5% (PLe:52.5%) EBITDA grew by 0.1% YoY to Rs35.4bn (PLe: Rs35.8bn). A&P Expenses grew by 32.8% YoY to Rs15.9bn Adj. PAT declined by -1.5% YoY to Rs25.4bn (PLe: Rs25.79bn) Home Care revenues declined by -1.3% YoY; EBIT declined by -9% YoY; while margins contracted by -150bps YoY to 17.7%. Food & Refreshment revenues grew by 0.9% YoY; EBIT grew by 7.6% YoY; while margins expanded by 118bps YoY to 19%. Others revenues grew by 3.4% YoY; EBIT grew by 1.7% YoY; while margins contracted by -68bps YoY to 39.7%.

Concall Takeaways: 1) Demand trends were muted due to weather vagaries & subdued festive season; volume growth (2%) remains similar to 2Q24 2) MT is leading growth with a 2 year CAGR of 13% (vs General Trade ~1%) 3) Rural demand remains subdued with a 2 year volume CAGR at 1% (vs 3% urban) 4) Premium segment continues to outperform mass segment with a strong double digit value growth 5) Competitive intensity remains elevated for the FMCG industry with many smaller/regional players 6) Fabric Wash & Household care grew in mid/low single digits 7) BPC Category growth was led by Hair & Premium Skin with traction from formats of future 8) F&R category growth was driven by increase in prices 9) Price growth was marginally negative (ex- F&R) to pass on the benefits of reduction in commodity prices 10) HFD delivered competitive modest price led growth driven by Plus range 11) Ad spends have inched up to 10.5% from 7.9% in 3Q23 12) Long term focus would remain on driving competitive volume growth, rural growth, innovation and premiumisation

Exhibit 1: 3QFY24 Results (Rs mn): Volumes up 2%; Gross margins improves by 401bps YoY to 51.5%

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	151,880	152,280	(0.3)	152,760	456,120	442,510	3.1
Gross Profit	78,210	72,310	8.2	80,550	234,360	207,460	13.0
% of NS	51.5	47.5	4.0	52.7	51.4	46.9	4.5
A&P Exp.	15,930	12,000	32.8	17,200	47,940	35,690	34.3
% of NS	10.5	7.9	2.6	11.3	10.5	8.1	2.4
EBITDA	35,400	35,370	0.1	36,940	107,550	101,610	5.8
Margins (%)	23.3	23.2	0.1	24.2	23.6	23.0	0.6
Depreciation	2,820	2,600	8.5	2,690	8,080	7,680	5.2
EBIT	32,580	32,770	(0.6)	34,250	99,470	93,930	5.9
Interest	810	260	211.5	720	2,000	770	159.7
Other Income	2,850	2,280	25.0	2,830	7,530	4,800	56.9
PBT	34,620	34,790	(0.5)	36,360	105,000	97,960	7.2
Tax	9,210	8,980	2.6	9,680	27,910	22,890	21.9
Tax Rate (%)	26.6	25.8	0.8	26.6	26.6	23.4	3.2
Adjusted PAT	25,410	25,810	(1.5)	26,680	77,090	75,070	2.7
Extraordinary	(290)	(450)		540	90	(840)	
Reported Profit	25,120	25,360	(0.9)	27,220	77,180	74,230	4.0

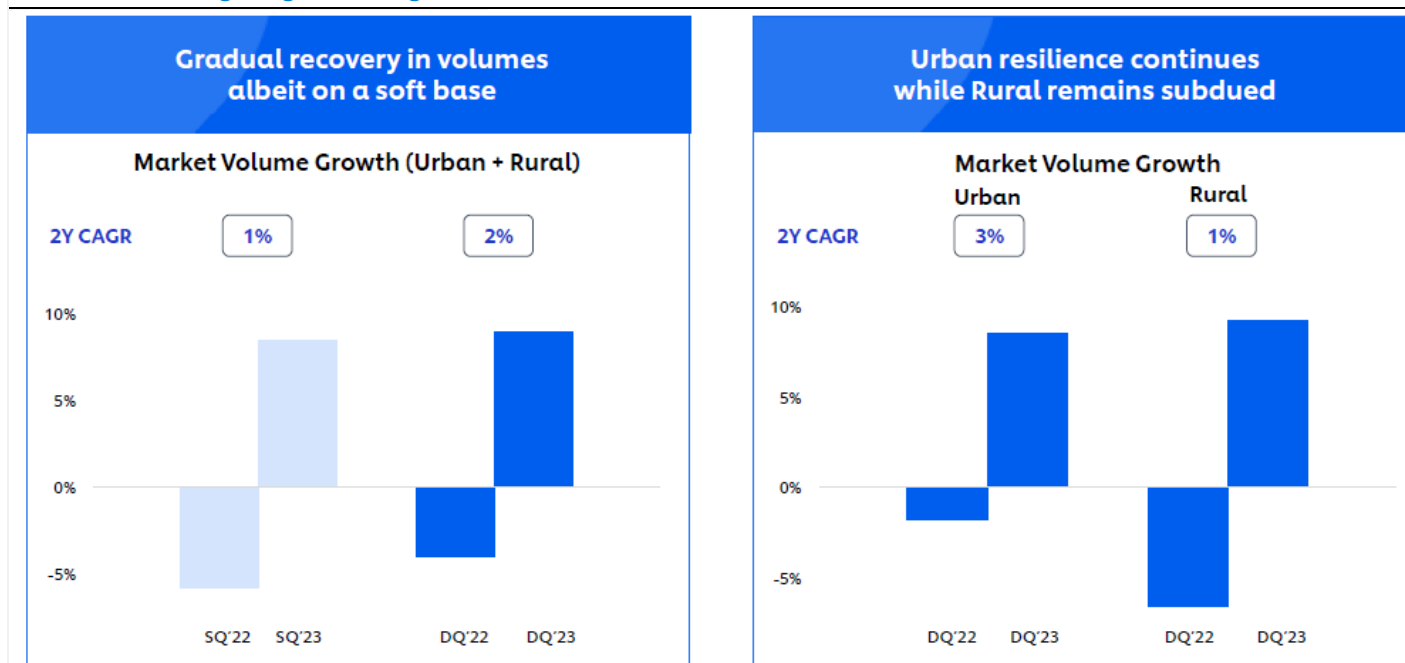
Source: Company, PL

Exhibit 2: 3Q24 performance was driven by 0.9% sales growth in Food & Refreshments Segment

Quarterly Segmental	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Net Sales (Rs m)	127,240	130,920	134,620	142,720	147,510	152,280	148,930	151,480	152,760	151,880
Home Care	38,380	41,930	47,500	49,310	51,430	55,180	56,380	54,250	53,120	54,480
Personal Care	50,000	51,750	47,120	53,640	55,610	57,180	51,880	56,010	58,090	57,050
Foods & Refreshment	36,220	34,660	36,980	36,270	37,550	37,000	37,940	37,970	38,510	37,330
Others	2,640	2,580	3,020	3,500	2,920	2,920	2,730	3,250	3,040	3,020
Sales Growth %	11.2	10.4	11.0	19.8	15.9	16.3	10.6	6.1	3.6	(0.3)
Home Care	15.7	23.0	23.7	29.9	34.0	31.6	18.7	10.0	3.3	(1.3)
Personal Care	10.3	6.9	3.6	17.3	11.2	10.5	10.1	4.4	4.5	(0.2)
Foods & Refreshment	7.2	3.3	5.3	9.3	3.7	6.8	2.6	4.7	2.6	0.9
Others	25.7	0.8	30.2	54.9	10.6	13.2	(9.6)	(7.1)	4.1	3.4
EBIT (Rs m)	28,670	30,240	29,840	29,870	31,290	32,770	32,090	32,640	34,250	32,580
Home Care	7,280	8,640	9,390	8,690	8,890	10,610	10,560	9,910	9,950	9,660
Personal Care	13,900	14,410	12,360	14,110	13,960	14,370	13,530	14,720	15,810	14,610
Foods & Refreshment	6,640	6,460	7,130	5,780	7,440	6,610	6,790	6,810	7,200	7,110
Others	850	730	960	1,290	1,000	1,180	1,210	1,200	1,290	1,200
EBIT Growth %	9.4	17.1	10.2	14.8	9.1	8.4	7.5	9.3	9.5	(0.6)
Home Care	7.4	33.7	15.6	31.3	22.1	22.8	12.5	14.0	11.9	(9.0)
Personal Care	4.7	2.0	(1.3)	9.6	0.4	(0.3)	9.5	4.3	13.3	1.7
Foods & Refreshment	18.8	36.6	24.0	(3.7)	12.0	2.3	(4.8)	17.8	(3.2)	7.6
Others	54.5	46.0	39.1	138.9	17.6	61.6	26.0	(7.0)	29.0	1.7
EBIT Margin %	22.5	23.1	22.2	20.9	21.2	21.5	21.5	21.5	22.4	21.5
Home Care	19.0	20.6	19.8	17.6	17.3	19.2	18.7	18.3	18.7	17.7
Personal Care	27.8	27.8	26.2	26.3	25.1	25.1	26.1	26.3	27.2	25.6
Foods & Refreshment	18.3	18.6	19.3	15.9	19.8	17.9	17.9	17.9	18.7	19.0
Others	32.2	28.3	31.8	36.9	34.2	40.4	44.3	36.9	42.4	39.7

Source: Company, PL

Exhibit 3: Low-single digit volume growth in Rural India on low base



Source: Company, PL

Exhibit 4: GM improvement reinvested behind brands & capabilities in 3Q24



Source: Company, PL

Exhibit 5: New Innovations launched in 3Q24 (1/2)

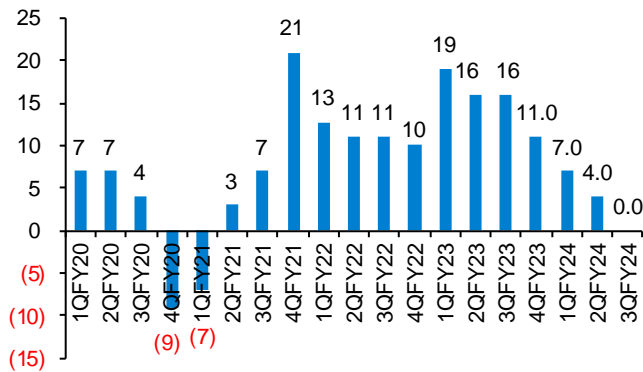


Source: Company, PL

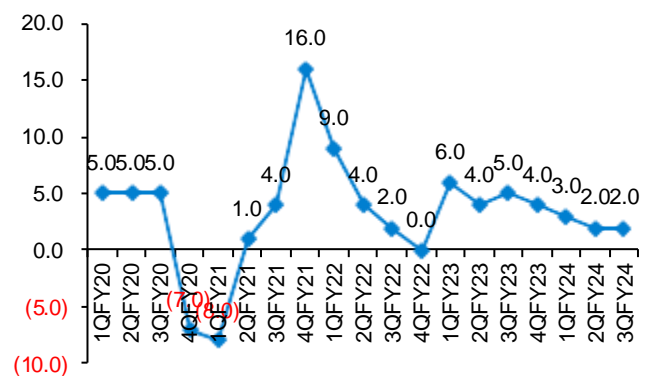
Exhibit 6: New Innovations launched in 3Q24 (2/2)



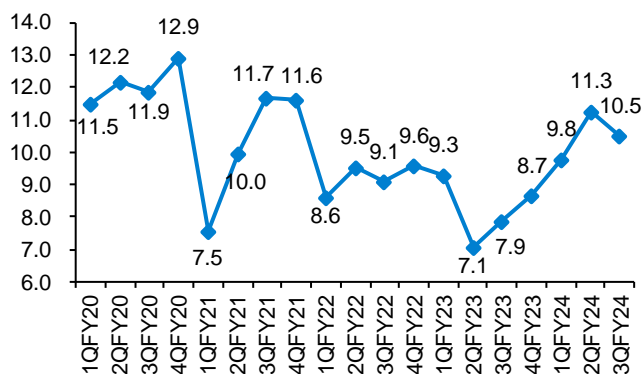
Source: Company, PL

Exhibit 7: Comparable Domestic FMCG sales was flattish


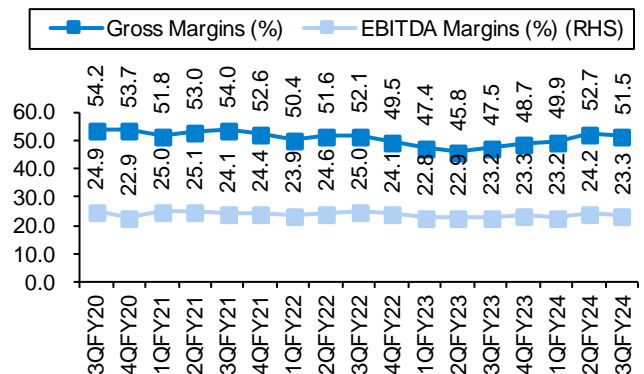
Source: Company, PL

Exhibit 8: Volumes grew 2%


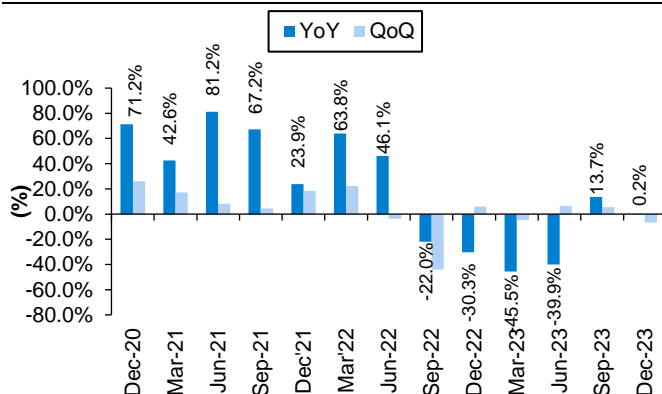
Source: Company, PL

Exhibit 9: Ad-spends up by 261bps YoY, down 80bps QoQ


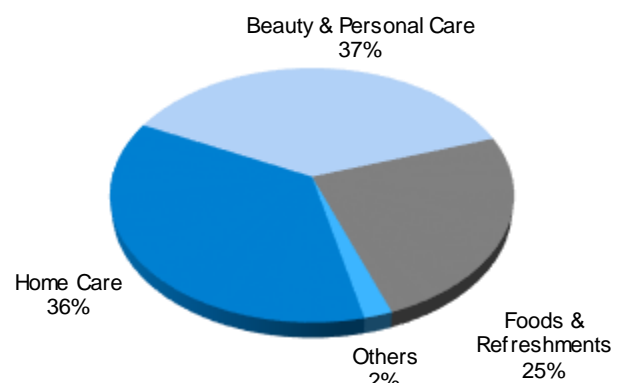
Source: Company, PL

Exhibit 10: GM/EBITDAM up 401bps/8bps YoY


Source: Company, PL

Exhibit 11: PFAD prices up 0.2%YoY & down 6.6% QoQ


Source: Company, PL

Exhibit 12: 75%+ of business winning volume share


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	5,91,440	6,11,331	6,63,734	7,28,500
YoY gr. (%)	15.5	3.4	8.6	9.8
Cost of Goods Sold	3,11,440	2,96,533	3,17,049	3,46,429
Gross Profit	2,80,000	3,14,798	3,46,685	3,82,070
Margin (%)	47.3	51.5	52.2	52.4
Employee Cost	26,650	28,259	30,804	33,410
Other Expenses	-	-	-	-
EBITDA	1,36,320	1,44,305	1,59,092	1,74,340
YoY gr. (%)	9.0	5.9	10.2	9.6
Margin (%)	23.0	23.6	24.0	23.9
Depreciation and Amortization	10,300	11,260	12,271	13,344
EBIT	1,26,020	1,33,045	1,46,820	1,60,995
Margin (%)	21.3	21.8	22.1	22.1
Net Interest	1,010	2,196	2,960	3,675
Other Income	6,400	9,117	8,527	8,363
Profit Before Tax	1,31,410	1,39,966	1,52,388	1,65,683
Margin (%)	22.2	22.9	23.0	22.7
Total Tax	31,170	37,091	40,383	43,906
Effective tax rate (%)	23.7	26.5	26.5	26.5
Profit after tax	1,00,240	1,02,875	1,12,005	1,21,777
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,00,240	1,02,875	1,12,005	1,21,777
YoY gr. (%)	13.2	2.6	8.9	8.7
Margin (%)	16.9	16.8	16.9	16.7
Extra Ord. Income / (Exp)	(620)	(500)	(500)	(500)
Reported PAT	99,620	1,02,375	1,11,505	1,21,277
YoY gr. (%)	13.0	2.8	8.9	8.8
Margin (%)	16.8	16.7	16.8	16.6
Other Comprehensive Income	(260)	(200)	(200)	(200)
Total Comprehensive Income	99,360	1,02,175	1,11,305	1,21,077
Equity Shares O/s (m)	2,350	2,350	2,350	2,350
EPS (Rs)	42.7	43.8	47.7	51.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	3,85,480	4,07,629	4,19,587	4,32,539
Tangibles	1,05,200	1,27,349	1,39,307	1,52,259
Intangibles	2,80,280	2,80,280	2,80,280	2,80,280
Acc: Dep / Amortization	44,590	53,850	64,121	75,466
Tangibles	43,310	52,340	62,381	73,496
Intangibles	1,280	1,510	1,740	1,970
Net fixed assets	3,40,890	3,53,780	3,55,466	3,57,074
Tangibles	61,890	75,010	76,926	78,764
Intangibles	2,79,000	2,78,770	2,78,540	2,78,310
Capital Work In Progress	10,200	10,710	11,246	11,808
Goodwill	1,73,160	1,73,160	1,73,160	1,73,160
Non-Current Investments	20,370	20,590	20,821	21,064
Net Deferred tax assets	(63,250)	(64,650)	(66,174)	(67,830)
Other Non-Current Assets	13,140	13,604	14,770	16,211
Current Assets				
Investments	28,110	28,110	32,327	33,943
Inventories	40,310	41,194	45,802	49,304
Trade receivables	27,350	27,188	28,739	30,569
Cash & Bank Balance	44,220	50,702	65,437	83,516
Other Current Assets	6,120	6,725	6,969	7,649
Total Assets	7,18,250	7,39,331	7,69,458	8,00,444
Equity				
Equity Share Capital	2,350	2,350	2,350	2,350
Other Equity	4,99,860	5,08,094	5,13,706	5,19,686
Total Networth	5,02,210	5,10,444	5,16,056	5,22,036
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	13,350	14,484	15,133	16,202
Other non current liabilities	4,950	5,321	5,720	6,149
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	93,910	93,428	1,04,235	1,13,895
Other current liabilities	22,360	25,124	28,421	32,220
Total Equity & Liabilities	7,18,250	7,39,331	7,69,458	8,00,444

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,31,410	1,39,966	1,52,388	1,65,683
Add. Depreciation	10,300	11,260	12,271	13,344
Add. Interest	-	-	-	-
Less Financial Other Income	-	-	-	-
Add. Other	(6,160)	(5,796)	(6,128)	(5,534)
Op. profit before WC changes	1,35,550	1,45,430	1,58,531	1,73,493
Net Changes-WC	(18,210)	1,710	3,180	2,045
Direct tax	(31,170)	(37,091)	(40,383)	(43,906)
Net cash from Op. activities	86,170	1,10,049	1,21,328	1,31,632
Capital expenditures	(18,910)	(24,659)	(14,493)	(15,514)
Interest / Dividend Income	-	-	-	-
Others	13,390	9,117	4,311	6,746
Net Cash from Invt. activities	(5,520)	(15,543)	(10,183)	(8,768)
Issue of share cap. / premium	(680)	(351)	(343)	(347)
Debt changes	600	6,260	6,315	6,735
Dividend paid	(84,590)	(93,990)	(1,05,750)	(1,15,150)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(84,670)	(88,081)	(99,778)	(1,08,761)
Net change in cash	(4,020)	6,426	11,367	14,103
Free Cash Flow	67,260	85,390	1,06,835	1,16,118

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	42.7	43.8	47.7	51.8
CEPS	47.0	48.6	52.9	57.5
BVPS	213.7	217.2	219.6	222.1
FCF	28.6	36.3	45.5	49.4
DPS	36.0	40.0	45.0	49.0
Return Ratio(%)				
RoCE	25.5	26.3	28.6	31.0
ROIC	22.7	22.9	26.0	29.5
RoE	20.3	20.3	21.8	23.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	(16)	(15)	(16)	(17)
Valuation(x)				
PER	60.1	58.6	53.8	49.5
P/B	12.0	11.8	11.7	11.5
P/CEPS	54.5	52.8	48.5	44.6
EV/EBITDA	43.7	41.2	37.3	33.9
EV/Sales	10.1	9.7	8.9	8.1
Dividend Yield (%)	1.4	1.6	1.8	1.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

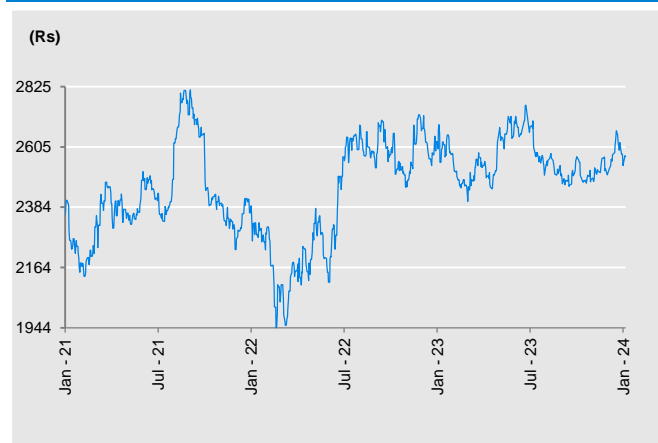
Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	1,48,930	1,51,480	1,52,760	1,51,880
YoY gr. (%)	10.6	6.1	3.6	(0.3)
Raw Material Expenses	76,390	75,880	72,210	73,670
Gross Profit	72,540	75,600	80,550	78,210
Margin (%)	48.7	49.9	52.7	51.5
EBITDA	34,710	35,210	36,940	35,400
YoY gr. (%)	7.0	8.4	9.4	0.1
Margin (%)	23.3	23.2	24.2	23.3
Depreciation / Depletion	2,620	2,570	2,690	2,820
EBIT	32,090	32,640	34,250	32,580
Margin (%)	21.5	21.5	22.4	21.5
Net Interest	240	470	720	810
Other Income	1,600	1,850	2,830	2,850
Profit before Tax	33,450	34,020	36,360	34,620
Margin (%)	22.5	22.5	23.8	22.8
Total Tax	8,740	9,020	9,680	9,210
Effective tax rate (%)	26.1	26.5	26.6	26.6
Profit after Tax	24,710	25,000	26,680	25,410
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	24,710	25,000	26,680	25,410
YoY gr. (%)	8.9	9.2	1.2	(1.5)
Margin (%)	16.6	16.5	17.5	16.7
Extra Ord. Income / (Exp)	810	(280)	490	(220)
Reported PAT	25,520	24,720	27,170	25,190
YoY gr. (%)	9.7	8.0	3.9	0.6
Margin (%)	17.1	16.3	17.8	16.6
Other Comprehensive Income	(390)	120	50	(70)
Total Comprehensive Income	25,130	24,840	27,220	25,120
Avg. Shares O/s (m)	2,350	2,350	2,350	2,350
EPS (Rs)	10.5	10.6	11.4	10.8

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Hold	2,786	2,578
2	19-Oct-23	Hold	2,786	2,548
3	07-Oct-23	Hold	2,837	2,499
4	20-Jul-23	Hold	2,775	2,700
5	06-Jul-23	Accumulate	2,825	2,757
6	27-Apr-23	Accumulate	2,785	2,469
7	11-Apr-23	Accumulate	2,800	2,532

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,140	2,501
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,786	2,578
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Hold	2,704	2,720
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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