

CMP: INR 2,260

Rating: HOLD

Target Price: INR 2,508

Stock Info

BSE	500696
NSE	HINDUNILVR
Bloomberg	HUVR:IN
Reuters	HLL.BO
Sector	Personal Products
Face Value (INR)	1
Equity Capital (INR cr)	235
Mkt Cap (INR cr)	5,29,128
52w H/L (INR)	2,769/ 2,170
Avg Daily Volume (in 000')	1,614

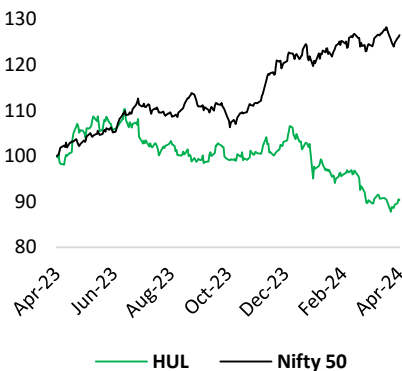
Shareholding Pattern %

(As on March 2024)

Promoters	61.90
FII	12.67
DII	13.27
Public & Others	12.16

Stock Performance (%)	1m	3m	12m
HUL	0.0	(7.6)	(9.8)
Nifty 50	1.4	4.4	26.3

HUL Vs Nifty 50



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HUL reported results largely in line with estimates. Net Revenue grew 0.24% YoY to INR 14,857 Cr (-2.18% QoQ), missing our estimate of INR 15,042 by 1%. Gross Margin expanded 316bps YoY 51.87% (+37bps QoQ). EBITDA de-grew 1.04% YoY to INR 3,435 Cr (-2.97% QoQ) and the EBITDA Margin contracted 19bps YoY to 23.12% (-19bps QoQ), missing our estimates of INR 3,460 Cr and 23% respectively. PAT de-grew 5.72% YoY to INR 2,460 Cr (-4.49% QoQ), missing our estimate of INR 2,460 Cr by 2%. With the consumption gap between rural and urban markets shrinking, it has still been stumped by the rising cost of living. The company hasn't taken any price hikes yet.

Sales- Volume mix: In Q4 the company delivered a USG of 1% and UVG of 2% (3% and 2% respectively for FY24). These numbers were 2% with flat volumes for BPC, 4% with flat volumes for F&R, and 1% with mid-single volumes for HC.

Pricing action: As commodity prices like milk have started to come down, and volumes are starting to pick up, the company has not taken price increases across most of the portfolio except in some categories like soap. They will start to take price increases to the tune of 1-2% in H2FY25 as commodity price trends solidify themselves.

Liquids lead the way: This segment has shown good resilience as all brands have crossed the INR 1,000 Cr mark. HUL has a 25% market share in dish wash, with body wash growing in strides by 50-60% (though their share in the portfolio is ~2%). Liquids are now leaking into T2 and T3 markets as well.

Macro Scenario: The current FMCG demand scenario for the medium term is a little subdued, as a result, price growth is likely to be negative if commodity prices continue their moderating trend.

Outlook and Valuation: We assign a TP of INR 2,508, valued at a P/E multiple of 50x the FY26E EPS of INR 50, indicating an upside of 11% and a 'Hold' rating. The next 6 months will be a bumpy ride for HUL on account of undesirable macro factors that are just starting to taper out, however, the premium end continues to display high double-digit growth. Margins will remain under pressure for this period on account of pricing decisions, with a possible 50-60bps impact on GMs. However, we expect performance to pick up post all this, and remain cautiously optimistic.

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Revenues	59,144	60,469	63,623	67,185	71,203
YoY growth (%)	15.5	2.2	5.2	5.6	6.0
Operating profit	13,632	14,190	15,333	16,373	17,744
OPM (%)	23.0	23.5	24.1	24.4	24.9
Reported PAT	9,962	10,114	11,108	11,788	12,702
YoY growth (%)	13.0	1.5	9.8	6.1	7.8
EPS (Rs)	42.4	43.0	47.3	50.2	54.1
P/E (x)	53.3	52.5	47.8	45.1	41.8
Price/Book (x)	10.6	10.4	10.4	10.3	10.2
EV/EBITDA (x)	38.6	36.9	34.1	31.9	29.4
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
RoE (%)	20.1	20.0	21.7	22.9	24.5
RoCE (%)	19.9	20.0	21.3	22.4	23.9

Source: Company & Arihant Research

Quarterly Result

INR Cr (Standalone)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Income From Operations	14,857	15,188	14,893	-2.18%	-0.24%
Cost of Services	7,151	7,367	7,639	-2.93%	-6.39%
Gross Profit	7,706	7,821	7,254	-1.47%	6.23%
<i>Gross Margin</i>	<i>51.87%</i>	<i>51.49%</i>	<i>48.71%</i>	<i>37bps</i>	<i>316bps</i>
Employee costs	774	649	683	19.26%	13.32%
Other Expenses	3,497	3,632	3,100	-3.72%	12.81%
EBITDA	3,435	3,540	3,471	-2.97%	-1.04%
<i>EBITDA margin %</i>	<i>23.12%</i>	<i>23.31%</i>	<i>23.31%</i>	<i>-19bps</i>	<i>-19bps</i>
Other Income	220	285	160	-22.81%	37.50%
Depreciation & Amortization	289	282	262	2.48%	10.31%
EBIT	3,366	3,543	3,369	-5.00%	-0.09%
Finance costs	102	81	24	25.93%	325%
PBT before exceptional items	3,264	3,462	3,345	-5.72%	-2.42%
Exceptional Items	-17	-30	80	-43.33%	-121.25%
PBT	3,247	3,432	3,425	-5.39%	-5.20%
Tax Expense	841	913	873	-7.89%	-3.67%
<i>Effective tax rate %</i>	<i>25.90%</i>	<i>26.60%</i>	<i>25.49%</i>	<i>-70bps</i>	<i>41bps</i>
PAT	2,406	2,519	2,552	-4.49%	-5.72%

INR Cr (Standalone)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Segment Revenue					
Home Care	5,715	5,448	5,638	4.90%	1.37%
Beauty & Personal Care	5,050	5,705	5,188	-11.48%	-2.66%
Foods & Refreshment	3,911	3,733	3,794	4.77%	3.08%
Others (includes Exports, Consignment, etc.)	181	302	273	-40.07%	-33.70%
Total Segment Revenue	14,857	15,188	14,893	-2.18%	-0.24%
Segment Results (EBIT)					
Home Care	1,081	966	1,056	11.90%	2.37%
Beauty & Personal Care	1,288	1,461	1,353	-11.84%	-4.80%
Foods & Refreshment	739	711	679	3.94%	8.84%
Others (includes Exports, Consignment, etc.)	38	120	121	-68.33%	-68.60%
Total Segment EBIT	3,146	3,258	3,209	-3.44%	-1.96%
Segment EBIT Margin					
Home Care	18.92%	17.73%	18.73%	118bps	19bps
Beauty & Personal Care	25.50%	25.61%	26.08%	-10bps	-57bps
Foods & Refreshment	18.90%	19.05%	17.90%	-15bps	100bps
Others (includes Exports, Consignment, etc.)	20.99%	39.74%	44.32%	-1874bps	-2333bps
EBIT Margin	21.18%	21.45%	21.55%	-28bps	-37bps

Source: Company & Arianth Research

- **Mass skincare and other LUPs** are facing demand issues.
- Distributor margins and service levels are going up.
- HUL now is the market maker in skincare, haircare, and color cosmetics with all its brands commanding market leadership.
- Market making and premiumization activities were undertaken for certain brands and products that now contribute to >25% of the total business.
- Clinic Plus is now an INR 2,000 Cr brand- and was moved up from the INR 1,000 Cr category this quarter.
- Channel mix: ~70% GT, ~20% MT+ Retail, ~7% Ecom (growing the fastest).

Income Statement (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	59,144	60,469	63,623	67,185	71,203
Net Raw Materials	31,144	29,327	30,794	32,450	34,356
Advt & Promotion	4,859	6,380	7,635	7,390	7,832
Employee Cost	2,665	2,782	2,927	3,111	3,297
Other Expenses	6,844	7,790	6,935	7,861	7,975
Total Expenses	45,512	46,279	48,290	50,812	53,460
EBITDA	13,632	14,190	15,333	16,373	17,744
EBITDA margin	23.0	23.5	24.1	24.4	24.9
Depreciation	(1,030)	(1,097)	(1,214)	(1,405)	(1,611)
Interest expense	(101)	(302)	(156)	(176)	(196)
Other income	640	973	1,048	1,138	1,228
Exceptional items	(62)	(89)	-	-	-
Profit before tax	13,079	13,675	15,010	15,929	17,165
Taxes	(3,117)	(3,561)	(3,903)	(4,142)	(4,463)
Net profit	9,962	10,114	11,108	11,788	12,702
EPS	42.4	43.0	47.3	50.2	54.1
Balance Sheet (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	235	235	235	235	235
Reserves	49,986	50,738	51,071	51,425	51,806
Net worth	50,221	50,973	51,306	51,660	52,041
Debt	1,241	1,464	1,664	1,864	2,064
Deferred tax liab (net)	7,401	10,685	10,835	10,994	11,166
Total liabilities	58,863	63,122	63,805	64,518	65,271
Fixed assets	5,080	7,178	6,204	6,709	7,152
Capital Work In Progress	1,020	915	911	1,054	1,208
Other Intangible assets	29,009	27,885	27,885	27,885	27,885
Goodwill	17,316	17,316	17,316	17,316	17,316
Investments	2,037	2,089	2,227	2,351	2,492
Other non current assets	1,314	1,397	353	373	396
Net working capital	(5,572)	(6,837)	(5,690)	(6,259)	(6,846)
Inventories	4,031	3,812	4,003	4,218	4,466
Sundry debtors	2,735	2,690	2,830	2,989	3,168
Other current assets	624	615	647	683	724
Sundry creditors	(9,391)	(10,148)	(10,731)	(11,574)	(12,474)
Other current liabilities & Prov	(3,571)	(3,806)	(2,439)	(2,575)	(2,729)
Cash	4,422	7,216	8,326	8,463	8,646
Other Financial Assets	4,237	5,963	6,274	6,625	7,022
Total assets	58,863	63,122	63,805	64,518	65,271
Statement of Cash Flows (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	13,079	13,675	15,010	15,929	17,165
Depreciation	1,030	1,097	1,214	1,405	1,611
Tax paid	(3,117)	(3,561)	(3,903)	(4,142)	(4,463)
Working capital Δ	(510)	1,265	(1,147)	569	587
Operating cashflow	10,482	12,476	11,175	13,762	14,900
Capital expenditure	(1,419)	(3,090)	(236)	(2,054)	(2,208)
Free cash flow	9,063	9,386	10,939	11,708	12,691
Equity raised	664	508	0	-	-
Investments	(164)	(52)	(138)	(125)	(141)
Others	244	(685)	733	(371)	(419)
Debt financing/disposal	226	223	200	200	200
Dividends paid	(9,165)	(9,870)	(10,774)	(11,434)	(12,321)
Other items	(64)	3,284	150	159	172
Net Δ in cash	804	2,794	1,110	138	183
Opening Cash Flow	3,618	4,422	7,216	8,326	8,463
Closing Cash Flow	4,422	7,216	8,326	8,463	8,646

Source: Company & Arianth Research

Ratio analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	15.5	2.2	5.2	5.6	6.0
EBITDA growth	9.0	4.1	8.1	6.8	8.4
EBIT growth	11.5	6.2	7.8	6.2	7.8
Net profit growth	13.0	1.5	9.8	6.1	7.8
Profitability ratios (%)					
EBITDA margin	23.0	23.5	24.1	24.4	24.9
EBIT margin	22.4	23.3	23.8	24.0	24.4
Net profit margin	16.8	16.7	17.5	17.5	17.8
RoCE	19.9	20.0	21.3	22.4	23.9
RoNW	20.1	20.0	21.7	22.9	24.5
RoA	16.9	16.0	17.4	18.3	19.5
Per share ratios					
EPS	42.4	43.0	47.3	50.2	54.1
Dividend per share	39.0	42.0	45.8	48.7	52.4
Cash EPS	46.8	47.7	52.4	56.1	60.9
Book value per share	213.7	216.9	218.3	219.8	221.5
Valuation ratios					
P/E	53.3	52.5	47.8	45.1	41.8
P/CEPS	48.3	47.4	43.1	40.3	37.1
P/B	10.6	10.4	10.4	10.3	10.2
EV/EBIDTA	38.6	36.9	34.1	31.9	29.4
Payout (%)					
Dividend payout	92.0	97.6	97.0	97.0	97.0
Tax payout	23.8	26.0	26.0	26.0	26.0
Liquidity ratios					
Debtor days	16.6	16.0	16.0	16.0	16.0
Inventory days	46.6	46.8	46.8	46.8	46.8
Creditor days	74.3	78.9	80.0	82.0	84.0
Cash Conversion Cycle	(11.0)	(16.1)	(17.2)	(19.2)	(21.2)
Leverage ratios					
Interest coverage	131.1	46.6	97.0	91.3	88.4
Net debt / equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net debt / op. profit	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)
Working Capital Cycle	(11.0)	(16.1)	(17.2)	(19.2)	(21.2)
Du-Pont Analysis	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.8	0.7	0.7	0.7	0.7
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	3.1	2.7	2.6	2.6	2.6
Financial leverage (x)	0.4	0.4	0.5	0.5	0.5
RoE (%)	20.1	20.0	21.7	22.9	24.5

Source: Company & Arian Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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