

**Slight pick-up in volume; Maintain Accumulate**

QIFY25 Result Update | Sector: FMCG | July 24, 2024

**ACCUMULATE**

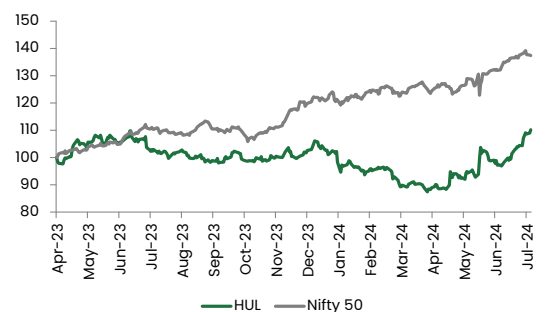
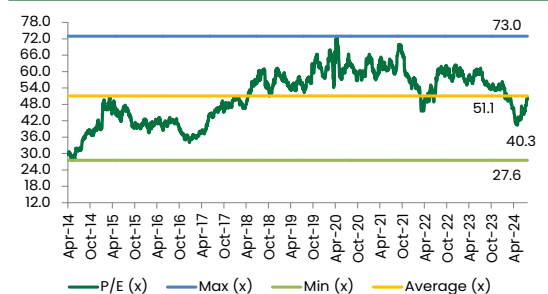
<b>CMP (Rs)</b>	<b>2,736</b>
<b>Target Price (Rs)</b>	<b>3,018</b>
<b>Potential Upside</b>	<b>10.3%</b>
<b>Sensex</b>	79,863
<b>Nifty</b>	24,333

**Key Stock data**

<b>BSE Code</b>	500696
<b>NSE Code</b>	HINDUNILVR
<b>Bloomberg</b>	HUVR:IN
<b>Shares o/s, Cr (FV 1)</b>	235
<b>Market Cap (Rs Cr)</b>	6,42,972
<b>3M Avg Volume</b>	19,26,378
<b>52 week H/L</b>	2,757/2,170

**Shareholding Pattern**

(%)	Dec-23	Mar-24	Jun-24
<b>Promoter</b>	61.9	61.9	61.9
<b>FII</b>	13.9	12.7	11.9
<b>DII</b>	12.0	13.3	14.1
<b>Others</b>	12.2	12.1	12.1

**1 year relative price performance**

**1 year Forward P/E (x)**

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**Moderate revenue growth:** HUL's QIFY25 revenue increased 1.4% YoY and 3.3% QoQ to Rs 15,707cr. Underlying volume growth (UVG) came in at 4% for the quarter while declining price impacted topline growth. Amongst segments, beauty & personal care (36.1% of revenue) performance remained flat YoY while grew 10.6% QoQ to Rs 5,667cr further home care segment (37.5% of revenue) shown mixed performance with growth of 4.6% YoY while de-grew QoQ by 0.6% to Rs 5,673 and food & refreshment segment (24.5% of revenue) grew by 1.4% YoY but de-grew 1.5% QoQ to Rs 3,850cr.

**Gross margin and EBITDA margin seen improvement:** HUL's gross profit grew by 4.4% YoY and 2.6% QoQ to Rs 8,162cr. Further, it saw healthy margin improvement of 132bps YoY to 52% led by decline in raw material cost but seen a decline of 32bps sequentially. Management continues to focus on building back gross margin through improved price coverage and productivity measures. Further, its EBITDA grew by 1.1% YoY and 5.9% QoQ to Rs 3,744cr with EBITDA margin came in at 23.8%, improvement of 19bps YoY and 60bps QoQ. So, improvement in margin was because of lower employee cost (down 7% YoY).

**Key highlights:** 1) Demand trends have improved with a 4% unit volume growth (UVG) in the first quarter. The forecast of a normal monsoon and better crop realization has supported a sustained gradual recovery in rural demand. 2) Expects price growth in low single digit in H2FY25 3) EBITDA margin is expected to improve moderately over the medium term, driven by operating leverage, mix improvement and growth in premium portfolio. 4) Company's distribution channels consist of 70% through general trade (GT), 20% through modern trade (MT), and 10% through e-commerce and quick commerce. In major metro cities, modern trade accounts for approximately 40-50%. Over the last three years, the contribution from the premium portfolio has increased by about 300 basis points. 5) During the quarter, Lux and Lifebuoy were re-launched with a superior product formulation.

**Outlook & Valuation:** HUL saw moderate year-on-year and sequential growth in revenue and PAT, with improved margins, despite ongoing negative realization growth. The company recorded a 4% volume growth, and we expect gradual improvement in volumes driven by the recovery in rural markets. Looking ahead, HUL will focus on driving premiumization and volume-led growth, continuing to invest in brands and core growth, developing high-growth brands, and expanding distribution channels. On the financial front, we expect revenue/EBITDA/PAT to improve by 9.5%/11.4%/12% CAGR over FY24-26E. So, from a mid to long term perspective we remain optimistic on the growth prospect of the company. We have revised our rating to **Accumulate** on the stock by revising the target price to **Rs 3,018** and assigned a P/E multiple of 55x on FY26E EPS.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	60,580	61,896	67,057	74,267
EBITDA	14,149	14,663	16,173	18,209
EBITDAM (%)	23.4	23.7	24.1	24.5
APAT	10,144	10,282	11,348	12,897
APATM (%)	16.7	16.6	16.9	17.4
EPS (Rs)	43.2	43.8	48.3	54.9
PE (x)	63.4	62.5	56.7	49.9
RoE (%)	20.2	20.1	21.5	23.3

Source : RBL Research

**Segmental performance:**

**Beauty & personal care topline performance remained muted:** a) Its beauty & personal care (36.1% of revenue) performance remained flat YoY while grew 10.6% QoQ to Rs 5,667cr. b) Premium portfolio continued to do well. c) Oral care mid-single digit growth driven by pricing, hair care grew double-digit volume growth led by Clinic Plus, Sunsilk and Dove on back of focus on innovations and category development actions in high growth demand spaces continues to yield results. d) However, the skin care and colour cosmetics portfolio witnessed muted volume performance due to high competition in mass portfolio from new age co. However, Premium portfolio saw healthy growth momentum during 1QFY25. e) Skin Cleansing saw a low single digit volume growth while revenue declined due to pricing actions. However, Bodywash continues to strengthen its market position.

**Home care & Foods & refreshment growth in positive territory:** a) Home care segment (37.5% of revenue) shown mixed performance with growth of 4.6% YoY while de-grew QoQ by 0.6% to Rs 5,673 with high single digit volume growth driven by premium portfolio of both Fabric Wash and Household Care and saw 4% sales growth. b) Further, the food & refreshment segment (24.5% of revenue) grew by 1.4% YoY but de-grew 1.5% QoQ to Rs 3,850cr with mid-single digit growth and saw 3% revenue growth. c) Horlicks & Boost continued to gain market share and penetration on the back of market development, but subdued performance in the quarter. d) Soups and foods witnessed low-single digit volume growth and Mayonnaise and Peanut Butter high continue to gain traction with consumers, boosted by partnerships, activations and product extensions. e) Double digit growth was seen in coffee & Ice-cream with coffee aided by strong launches and sharp execution, in the season.

**P&L Account Quarterly – consolidated**

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>15,707.0</b>	<b>15,496.0</b>	<b>1.4</b>	<b>15,210.0</b>	<b>3.3</b>
Cost of Raw Materials	4,874.0	4,820.0	1.1	4,611.0	5.7
Purchase of Finished Goods	2,728.0	2,643.0	3.2	2,568.0	6.2
(Increase) / Decrease In Stocks	(57.0)	216.0	(126.4)	78.0	(173.1)
<b>Total Raw material cost</b>	<b>7,545.0</b>	<b>7,679.0</b>	<b>(1.7)</b>	<b>7,257.0</b>	<b>4.0</b>
<b>Gross Profit</b>	<b>8,162.0</b>	<b>7,817.0</b>	<b>4.4</b>	<b>7,953.0</b>	<b>2.6</b>
Gross Margins %	52.0	50.4	152bps	52.3	-32bps
Employee Cost	656.0	705.0	(7.0)	832.0	(21.2)
A&P Cost	1,681.0	1,505.0	11.7	1,616.0	4.0
Other Expense	2,081.0	1,942.0	7.2	1,970.0	5.6
<b>Total Expenditure</b>	<b>11,963.0</b>	<b>11,831.0</b>	<b>1.1</b>	<b>11,675.0</b>	<b>2.5</b>
<b>EBITDA</b>	<b>3,744.0</b>	<b>3,665.0</b>	<b>2.2</b>	<b>3,535.0</b>	<b>5.9</b>
EBITDA Margins (%)	23.8	23.7	19bps	23.2	60bps
Depreciation	329.0	286.0	15.0	320.0	2.8
EBIT	3,415.0	3,379.0	1.1	3,215.0	6.2
Other Income	257.0	183.0	40.4	231.0	11.3
Interest	93.0	50.0	86.0	105.0	(11.4)
PBT	3,579.0	3,512.0	1.9	3,341.0	7.1
Exceptional	(49.0)	(38.0)	-	78.0	-
PBT	3,530.0	3,474.0	1.6	3,419.0	3.2
Tax	918.0	918.0	-	858.0	7.0
<b>PAT</b>	<b>2,612.0</b>	<b>2,556.0</b>	<b>2.2</b>	<b>2,561.0</b>	<b>2.0</b>
PAT Margin (%)	16.6	16.5	13bps	16.8	-21bps
EPS	11.1	10.9	2.2	10.9	2.0

Source : RBL Research

Revenue improved YoY as well QoQ with 4% volume growth

EBITDA improved due to lower employee cost

Mixed segmental performance

### Segment Revenue

Particulars, Rs cr	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Home care	5,673	5,421	4.6	5,709	(0.6)
% of net sales	36.1	35.0	113bps	37.5	-142bps
Beauty & Personal Care	5,667	5,668	(0.0)	5,125	10.6
% of net sales	36.1	36.6	-50bps	33.7	238bps
Foods & Refreshment	3,850	3,797	1.4	3,910	(1.5)
% of net sales	24.5	24.5	1bps	25.7	-120bps
Others	517	610	(15.2)	466	10.9
% of net sales	3.3	3.9	-64bps	3.1	23bps
	<b>15,707</b>	<b>15,496</b>	<b>1.4</b>	<b>15,210</b>	<b>3.3</b>

Source : RBL Research

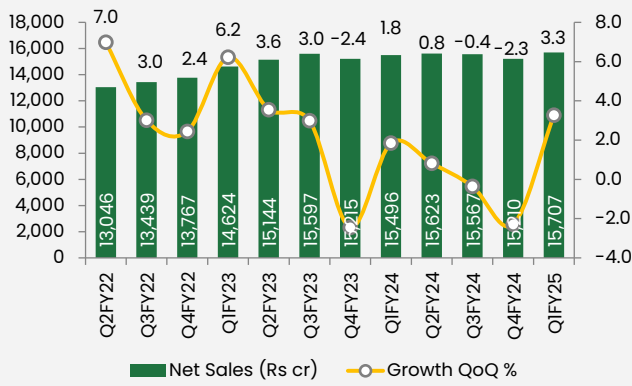
### Segment Profit

Particulars, Rs cr	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Home care	1,136	1,013	12.1	1,111	2.3
% of net sales	33.3	30.0	329bps	34.6	-129bps
Beauty & Personal Care	1,426	1,472	(3.1)	1,291	10.5
% of net sales	41.8	43.6	-181bps	40.2	160bps
Foods & Refreshment	736	681	8.1	739	(0.4)
% of net sales	21.6	20.2	140bps	23.0	-143bps
Others	117	213	(45.1)	74	58.1
% of net sales	3.4	6.3	-288bps	2.3	112bps
	<b>3,415</b>	<b>3,379</b>	<b>1.1</b>	<b>3,215</b>	<b>6.2</b>

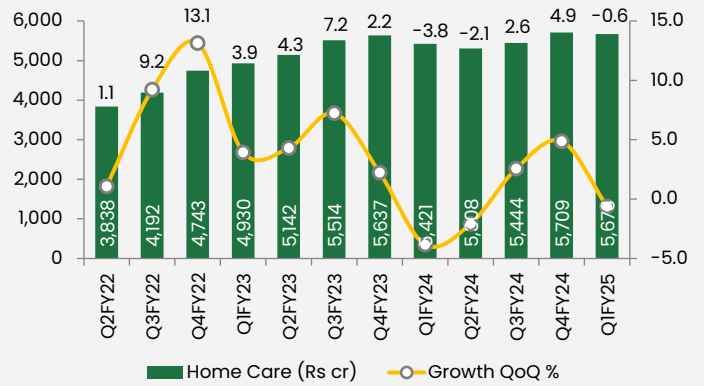
Source : RBL Research

## Story in charts

Net Sales grew YoY as well as sequentially.

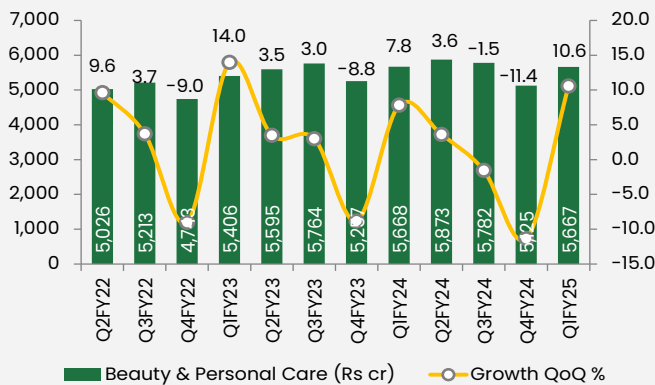


Home Care grew by 4.6% YoY while de-grew 0.6% QoQ

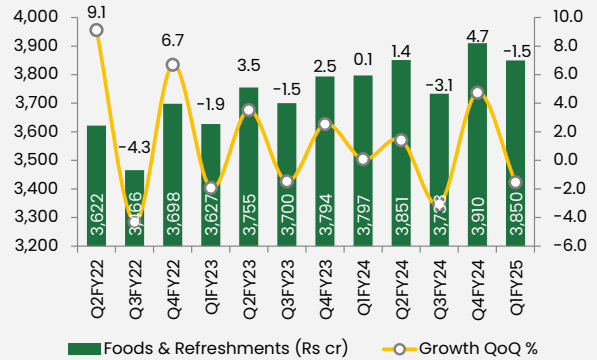


Source : RBL Research

Beauty & Personal Care was flat YoY and grew 10.6% QoQ

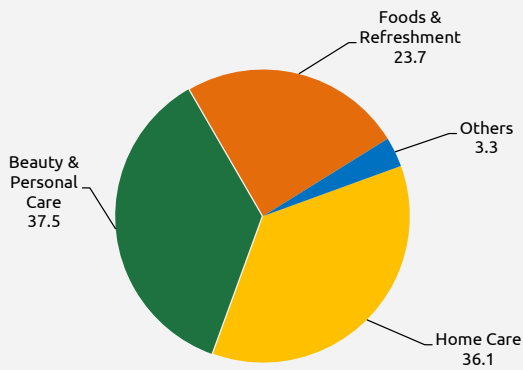


Foods & Refreshments grew by 1.4% YoY while de-grew 1.5% QoQ

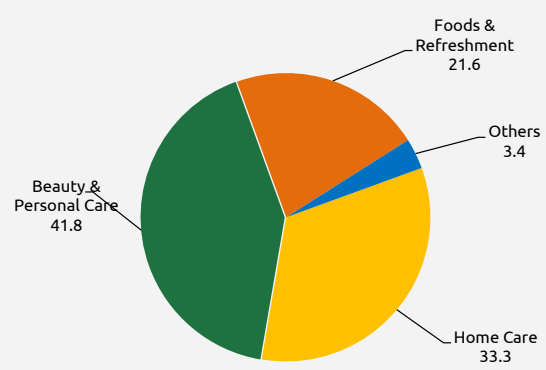


Source : RBL Research

Revenue Share by Segments in Q1FY25 (%)

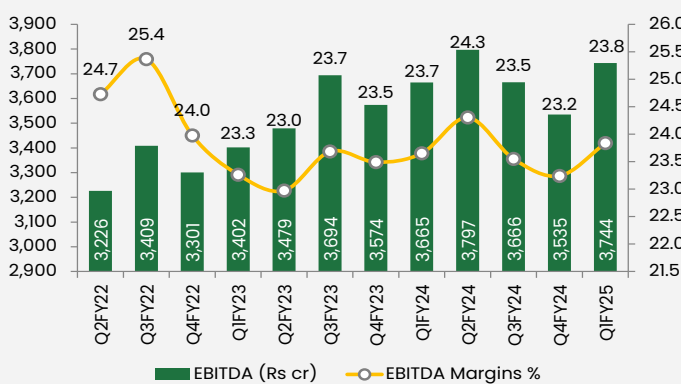


Profit Share by Segments in Q1FY25 (%)

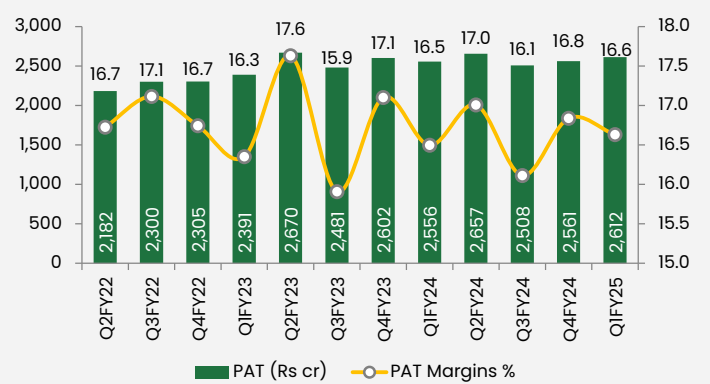


Source : RBL Research

EBITDA margin was at 23.2% expanded by 19ps YoY and 60bps QoQ



PAT margin was at 16.6% expanded by 13ps YoY but declined 21bps QoQ



Source : RBL Research

## P&amp;L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>60,580</b>	<b>61,896</b>	<b>67,057</b>	<b>74,267</b>
<b>Expenditure</b>				
Cost of materials	20,212	19,257	20,654	22,726
Purchase of stock in trade	11,579	10,514	11,266	12,328
(Increase) / Decrease In Stocks	(75)	(11)	(12)	(13)
<b>Total raw materials</b>	<b>31,716</b>	<b>29,760</b>	<b>31,907</b>	<b>35,041</b>
<b>Gross Profit</b>	<b>28,864</b>	<b>32,136</b>	<b>35,150</b>	<b>39,226</b>
Gross Margins %	47.6	51.9	52.4	52.8
Employee cost	2,854	3,009	3,219	3,491
A&P Cost	4,907	6,489	7,175	8,169
Other expenses	6,954	7,975	8,583	9,358
<b>Total expenditure</b>	<b>46,431</b>	<b>47,233</b>	<b>50,884</b>	<b>56,058</b>
<b>EBITDA</b>	<b>14,149</b>	<b>14,663</b>	<b>16,173</b>	<b>18,209</b>
EBITDAM (%)	23.4	23.7	24.1	24.5
Depreciation	1,137	1,216	1,274	1,263
PBIT	13,012	13,447	14,899	16,946
Other income	512	811	805	891
Interest expenses	114	334	335	371
PBT	13,410	13,924	15,368	17,466
Tax	3,201	3,644	4,022	4,571
<b>Reported PAT</b>	<b>10,209</b>	<b>10,280</b>	<b>11,346</b>	<b>12,895</b>
Exceptional Income / Expenses	(65)	2	2	2
PAT (after Exceptional)	10,144	10,282	11,348	12,897
PAT Margin %	16.7	16.6	16.9	17.4
EPS	43.2	43.8	48.3	54.9

Source : RBL Research

## Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	235	235	235	235
Reserves & Surplus	50,069	50,983	52,461	55,018
<b>Total Shareholder's Fund</b>	<b>50,304</b>	<b>51,218</b>	<b>52,696</b>	<b>55,253</b>
Minority Interest	218	205	205	205
Short term borrowing	98	-	-	-
<b>Total Debt</b>	<b>98</b>	<b>13</b>	<b>-</b>	<b>-</b>
Deferred tax liabilities	7,507	10,800	10,059	9,655
Long term provision	1,363	1,576	1,707	1,891
Other long term liabilities	1,667	1,824	1,743	1,931
<b>Total</b>	<b>10,537</b>	<b>14,200</b>	<b>13,509</b>	<b>13,477</b>
<b>Current Liabilities</b>				
Trade payables	9,574	10,486	11,354	12,574
Short term provisions	389	340	368	408
Other current liabilities	1,967	2,037	2,207	2,444
<b>Total</b>	<b>11,930</b>	<b>12,863</b>	<b>13,929</b>	<b>15,427</b>
<b>Total liabilities</b>	<b>73,087</b>	<b>78,499</b>	<b>80,339</b>	<b>84,361</b>
<b>Application of Assets</b>				
Net Block	35,281	36,343	37,315	38,675
Current work in process	1,132	1,025	1,025	1,025
Goodwill on consolidation	17,466	17,466	17,466	17,466
Non current investment	2	2	2	2
Tax assets	1,174	1,185	1,284	1,422
Long term loans and advances	98	102	111	122
Other non-current assets	936	1,052	1,140	1,262
<b>Total</b>	<b>56,089</b>	<b>57,175</b>	<b>58,342</b>	<b>59,975</b>
<b>Current Assets</b>				
Current investments	2,811	4,558	4,761	6,535
Inventories	4,251	4,022	4,134	4,578
Trade receivables	3,079	2,997	3,031	3,561
Cash & Bank balance	4,678	7,559	7,886	7,292
Short term loans and advances	36	38	40	44
Other current assets	2,143	2,150	2,146	2,377
<b>Total</b>	<b>16,998</b>	<b>21,324</b>	<b>21,998</b>	<b>24,387</b>
<b>Total assets</b>	<b>73,087</b>	<b>78,499</b>	<b>80,339</b>	<b>84,361</b>

Source : RBL Research

## Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	13,346	13,926	15,370	17,468
Add: Depreciation	1,152	1,216	1,274	1,263
Add: Interest cost	114	317	335	371
Less: Other Income	(411)	(546)	(805)	(891)
Less: Dividend Income	(2)	(3)	(3)	(3)
Others	(110)	(373)	-	-
<b>Operating profit before working capital changes</b>	<b>14,089</b>	<b>14,537</b>	<b>16,172</b>	<b>18,208</b>
Changes in working capital	(958)	1,313	37	(17)
Cash from Operations	13,131	15,850	16,208	18,191
Less: Taxes	(3,140)	(381)	(4,022)	(4,571)
<b>Cash flow from Operations</b>	<b>9,991</b>	<b>15,469</b>	<b>12,186</b>	<b>13,620</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(1,192)	(1,477)	(2,246)	(2,623)
Purchase of investments	(26,693)	(30,507)	(203)	(1,775)
Sales of fixed assets	26,131	26,235	-	-
Sales of investments	(1)	1	-	-
Dividend Income//Interest Rec.	261	428	808	894
<b>Cash flow from investing</b>	<b>(1,494)</b>	<b>(5,324)</b>	<b>(1,641)</b>	<b>(3,503)</b>
<b>Cash flow from Financing</b>				
Proceeds of borrowings	286	-	(13)	-
Sales of borrowings	(208)	(85)	-	-
Dividend (Incl dividend tax)	(8,474)	(9,416)	(9,870)	(10,340)
Interest cost	(88)	(110)	(335)	(371)
Others	(469)	(423)	-	-
<b>Cash flow from Financing</b>	<b>(8,953)</b>	<b>(10,034)</b>	<b>(10,218)</b>	<b>(10,711)</b>
<b>Net cash Inflow/Outflow</b>	<b>(456)</b>	<b>111</b>	<b>327</b>	<b>(594)</b>
Opening cash	1,147	714	825	1,152
Bank balance	3,964	6,734	6,734	6,734
Other Investments	(23)	-	-	-
<b>Closing Cash &amp; Bank</b>	<b>4,678</b>	<b>7,559</b>	<b>7,886</b>	<b>7,292</b>

Source : RBL Research

## Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	43.2	43.8	48.3	54.9
Book value per share (Rs)	214.1	217.9	224.2	235.1
Dividend per share (Rs)	36.1	40.1	42.0	44.0
Dividend Yield (%)	1.3	1.5	1.5	1.6
Dividend Payout (%)	83.5	91.6	87.0	80.2
<b>Profitability Ratios</b>				
EBITDAM(%)	23.4	23.7	24.1	24.5
PBTM (%)	22.1	22.5	22.9	23.5
NPM (%)	16.7	16.6	16.9	17.4
RoE (%)	20.2	20.1	21.5	23.3
RoCE (%)	25.8	26.2	28.3	30.7
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	114.1	40.3	44.4	45.6
Fixed Asset Ratio	0.6	0.6	0.6	0.5
Debtors (Days)	18.6	17.7	16.5	17.5
Inventory (Days)	25.6	23.7	22.5	22.5
Payable (Days)	57.7	61.8	61.8	61.8
WC (Days)	-13.5	-20.4	-22.8	-21.8
<b>Valuation</b>				
P/E (x)	63.4	62.5	56.7	49.9
P/BV	12.8	12.6	12.2	11.6
EV/EBITDA	45.4	43.8	39.7	35.3
EV/Sales	10.6	10.4	9.6	8.7

Source : RBL Research

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Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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