

## Hindustan Unilever Ltd

### With harsh summer and price cuts lift Q1 volumes

HUVR's Q1FY25 print was in-line with our estimates; Revenue/EBITDA/APAT grew 1.3%/2.4%/3.1%, led by negative pricing and 4.0% volume growth. Given high food inflation impacting mass consumption, management cited it saw some green shoots and recovery in rural markets. With drop in prices for top-4 commodities – CPO, caustic soda, crude oil, and soda ash, gross margin inched up to 51.4% (+154bp). Despite higher ad-spends +11% (+200bp), and other expenses +6.9%, with lower employee costs by 7.5%, EBITDA grew 1.4%, settling EBITDA margin at 23.5% (+26bp) YoY. To maintain price-value equation, HUVR took pricing actions in mass detergents, soaps and BPC portfolio, yet expects gross margins to improve given premium mix and operating leverage despite increase in media spends. We remain cautiously optimistic expecting low-single digit volume growth as near term operating environment continue to be competitive. Considering management commentary on price increases in 2HFY25 we have tweaked earnings and retain Reduce rating, with a revised DCF-based TP of Rs2,636 (implying 49.2 FY26E EPS).

**Q1FY25 revenues grew 1.3%; Home care +4%, Beauty +3.1%, F & R +1.4%, P/Care -4.5%**

HUVR's domestic business grew 1.3% on account of negative pricing in detergents and soaps led to 4.0% volume growth. Segmental growth: Home care grew +4.0% with HSD volume growth, Beauty and Wellbeing grew +3.1% led by MSD volume growth, Personal Care declined -4.5% with LSD volume growth, and with stable volumes F&R grew +1.4%. Indeed, given high food inflation impacting mass consumption management cited that it saw some green shoots and recovery in rural markets. More importantly, hair care clocked DD growth led by Clinic plus/ Sunsilk/ Dove, yet Skin care saw muted volumes. Management cited down-trading in tea, yet Coffee grew DD. Notably HFD performance was muted and Ice-creams saw DD growth. To serve the evolving aspirations of consumers, HUVR has embarked on a journey of 'Transform to Outperform' led by, (1) grow the core, (2) drive premiumisation, (3) reshaping portfolio in high growth spaces, and (4) Lead in channels of future. HUVR remain optimistic on volume growth with better monsoon and govt. spending on infra to lift rural consumption.

**Operating environment remain tough; persistent price cuts, and ad-spends to hold margins** In Q1 with cut in prices in top-4 commodities – CPO, caustic soda, crude oil, and soda ash, gross margin increased 51.4% (+154bp). Despite higher ad-spends +11% (+200bp), other expenses +6.9%, with lower employee costs by 7.5%, EBITDA grew 1.4%, settling EBITDA margin at 23.5% (+26bp) YoY. To maintain price-value equation, HUVR initiated further price cuts in mass soaps and BPC portfolio though expects to maintain stable margins.

**Outlook remains cautiously optimistic; increase in royalty rate at 3.65%**

Management said, FMCG and rural demand improving gradually. With benign inflationary scenario regional competition impacting volumes in the highly penetrated categories such as soaps, detergents and mass beauty. To lift volumes HUVR may need to invest more in A & P spends. Further, (1) increase in royalty at 3.45%, (2) cut in distribution fees from GSK portfolio, and (3) price cuts to check margins in our view, though expect ~4% volume growth in FY25E.

#### Valuation and risks

We expect gradual recovery in the discretionary spends and inherent distribution strength to drive Beauty & Wellbeing, and GSK-CH business. Though margins could remain in tight band, given inflationary cycle and high ad-spends, HUVR expects premium mix and operating leverage provide cushion. Considering margin recovery we increased earnings by 1.2%/1.3% for FY25E/FY26E and retain Reduce rating, with a revised DCF-based TP of Rs2.636 (implying 49.2 FY26E EPS). Risks to our call include significant acceleration in volume/price, decrease in ad-spends leading to margin expansion & lower competitive intensity.

#### Financial and valuation summary

| YE Mar (Rs mn)    | 1QFY25A  | 1QFY24A  | YoY (%) | 4QFY24A  | QoQ (%) | FY24A    | FY25E    | FY26E    |
|-------------------|----------|----------|---------|----------|---------|----------|----------|----------|
| Revenues          | 1,53,390 | 1,51,480 | 1.3     | 1,48,570 | 3.2     | 6,04,690 | 6,50,319 | 7,15,793 |
| EBITDA            | 36,060   | 35,210   | 2.4     | 34,350   | 5.0     | 1,41,900 | 1,54,209 | 1,71,941 |
| EBITDA margin (%) | 23.5     | 23.2     | 26bp    | 23.1     | 39bp    | 23.5     | 23.7     | 24.0     |
| Adj. Net profit   | 25,860   | 25,090   | 3.1     | 24,230   | 6.7     | 1,02,030 | 1,12,715 | 1,25,826 |
| Adj. EPS (Rs)     | 11.0     | 10.7     | 3.1     | 10.3     | 6.7     | 43.4     | 48.0     | 53.6     |
| EPS growth (%)    |          |          |         |          |         | 1.8      | 10.5     | 11.6     |
| PE (x)            |          |          |         |          |         | 63.7     | 57.7     | 51.6     |
| EV/EBITDA (x)     |          |          |         |          |         | 41.4     | 38.0     | 33.9     |
| PBV (x)           |          |          |         |          |         | 12.7     | 12.5     | 12.1     |
| RoE (%)           |          |          |         |          |         | 20.2     | 21.9     | 23.8     |
| RoCE (%)          |          |          |         |          |         | 20.6     | 22.4     | 24.3     |

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

#### Result Update

India I Consumer

23 July 2024

#### REDUCE

Price: Rs2,766

Target Price: Rs2,636

Forecast return: -5%

Institutional Research

#### Market Data

|                       |             |
|-----------------------|-------------|
| Bloomberg:            | HUVR IN     |
| 52 week H/L:          | 2,812/2,170 |
| Market cap:           | Rs6499.8bn  |
| Shares Outstanding:   | 2349.6mn    |
| Free float:           | 33.1%       |
| Avg. daily vol. 3mth: | 24,83,542   |
| Source:               | Bloomberg   |

#### Changes in the report

|               |                                |
|---------------|--------------------------------|
| Rating:       | Unchanged                      |
| Target price: | Rs2,636; from Rs2,297          |
| EPS:          | FY25E: Rs48.0<br>FY26E: Rs53.6 |
| Source:       | Centrum Broking                |

#### Shareholding pattern

|              | Jun-24 | Mar-24 | Dec-23 | Sep-23 |
|--------------|--------|--------|--------|--------|
| Promoter     | 61.9   | 61.9   | 61.9   | 61.9   |
| FIIs         | 11.9   | 12.7   | 13.7   | 13.9   |
| DIIIs        | 14.2   | 13.3   | 12.4   | 12.0   |
| Public/other | 12.1   | 12.2   | 12.1   | 12.2   |

Source: BSE

#### Centrum estimates vs Actual results

| YE Mar (Rs mn)  | Centrum Q1FY25 | Actual Q1FY25 | Variance (%) |
|-----------------|----------------|---------------|--------------|
| Revenue         | 1,54,510       | 1,53,390      | -0.7         |
| EBITDA          | 35,846         | 36,060        | 0.6          |
| EBITDA margin % | 23.2           | 23.5          | 31 bps       |
| Other Income    | 2,183          | 2,570         | 17.7         |
| Interest        | 564            | 850           | 50.7         |
| Depreciation    | 2,724          | 2,980         | 9.4          |
| PBT             | 34,741         | 34,800        | 0.2          |
| Tax             | 9,033          | 8,940         | -1.0         |
| Rep. PAT        | 25,708         | 25,860        | 0.6          |
| Adj. PAT        | 25,708         | 25,860        | 0.6          |

Source: Bloomberg, Centrum Broking



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Consumer

# Thesis Snapshot

## Estimate revision

| YE Mar (Rs mn)   | FY25E New | FY25E Old | % chg | FY26E New | FY26E Old | % chg |
|------------------|-----------|-----------|-------|-----------|-----------|-------|
| Revenue          | 6,50,319  | 6,43,723  | 1.0   | 7,15,793  | 7,10,411  | 0.8   |
| EBITDA           | 1,54,209  | 1,52,602  | 1.1   | 1,71,941  | 1,70,610  | 0.8   |
| EBITDA margin %  | 23.7      | 23.7      | 1bp   | 24.0      | 24.0      | 1bp   |
| Adj. PAT         | 1,12,715  | 1,11,429  | 1.2   | 1,25,826  | 1,24,249  | 1.3   |
| Diluted EPS (Rs) | 48.0      | 47.4      | 1.2   | 53.6      | 52.9      | 1.3   |

Source: Centrum Broking

## Hindustan Unilever Ltd versus NIFTY 50

|          | 1m   | 6m   | 1 year |
|----------|------|------|--------|
| HUVR IN  | 13.3 | 16.5 | 6.2    |
| NIFTY 50 | 4.0  | 14.1 | 24.4   |

Source: Bloomberg, NSE

## Key assumptions

| Y/E Mar                       | FY25E | FY26E |
|-------------------------------|-------|-------|
| Volume growth- Core portfolio | 5.0%  | 6.0%  |
| Price growth                  | 2.0%  | 4.0%  |
| Gross margin                  | 51.7  | 51.8  |
| Tax rate                      | 25.7  | 26.0  |

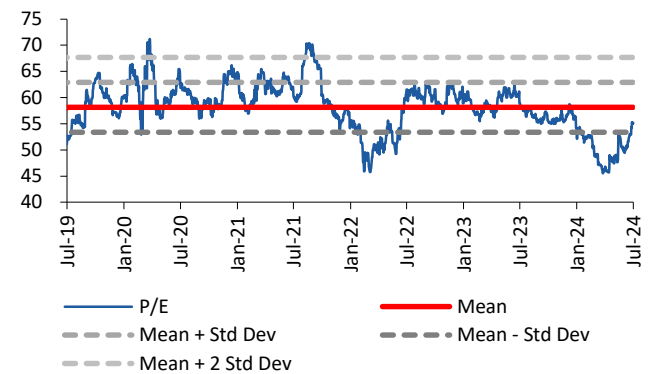
Source: Centrum Broking

## Valuations

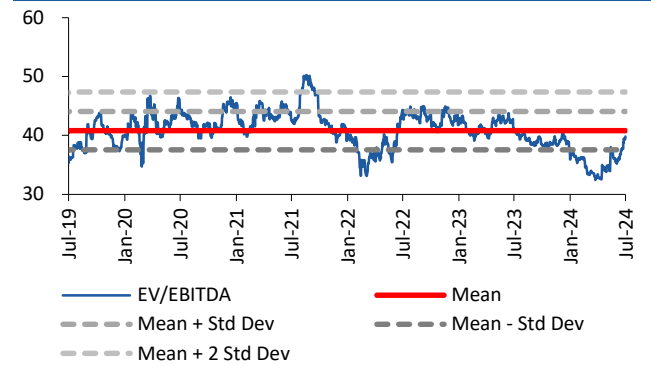
We expect gradual recovery in the discretionary spends and inherent distribution strength to drive B&W, and GSK-CH business. Though margins could remain in tight band, given inflationary cycle and high ad-spends, HUVR expects premium mix and operating leverage provide cushion. Considering margin recovery we increased earnings by 1.2%/1.3% for FY25E/FY26E and retain Reduce rating, with a revised DCF-based TP of Rs2.636 (implying 49.2 FY26E EPS). Risks to our call include significant acceleration in volume/price, decrease in ad-spends leading to margin expansion & lower competitive intensity

| Valuations                  | Rs/share |
|-----------------------------|----------|
| DCF-based target price (Rs) | 2,636    |
| WACC (%)                    | 9.5      |
| Terminal growth (%)         | 6.5      |

## P/E mean and standard deviation



## EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Peer comparison

| Company        | Mkt Cap (Rs bn) | CAGR (FY24-26E) |             |             | P/E (x)     |             |             | EV/EBITDA (x) |             |             | RoE         |             |             |
|----------------|-----------------|-----------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
|                |                 | Sales           | EBITDA      | EPS         | FY24        | FY25E       | FY26E       | FY24          | FY25E       | FY26E       | FY24        | FY25E       | FY26E       |
| <b>HUL</b>     | <b>6,479.8</b>  | <b>8.8</b>      | <b>10.1</b> | <b>11.1</b> | <b>63.7</b> | <b>57.7</b> | <b>51.6</b> | <b>41.4</b>   | <b>38.0</b> | <b>33.9</b> | <b>20.2</b> | <b>21.9</b> | <b>23.8</b> |
| Britannia      | 1,312.1         | 13.8            | 15.3        | 19.2        | 55.8        | 45.8        | 39.3        | 37.7          | 32.4        | 28.0        | 58.4        | 60.6        | 57.1        |
| Dabur          | 1,080.4         | 11.8            | 16.2        | 16.6        | 50.4        | 43.1        | 37.2        | 35.8          | 30.9        | 26.0        | 19.6        | 20.6        | 21.4        |
| Colgate        | 783.3           | 10.1            | 10.9        | 12.6        | 54.3        | 48.2        | 42.8        | 38.4          | 34.6        | 31.0        | 74.8        | 79.5        | 86.5        |
| Emami          | 321.3           | 12.6            | 18.7        | 21.3        | 44.5        | 36.5        | 30.2        | 34.9          | 28.8        | 24.2        | 30.7        | 34.1        | 36.4        |
| Bajaj Consumer | 37.3            | 14.4            | 22.0        | 20.6        | 22.2        | 17.1        | 14.9        | 21.1          | 14.2        | 11.7        | 19.1        | 22.8        | 23.3        |

Source: Company, Centrum Broking

**Exhibit 1: Key conference call takeaways and metrics**

| Centrum Quarterly Monitor               | Q4FY24   | Q1FY25  | Our Comments  |
|---|--|---|---|
| <b>Demand environment</b>               | Steady growth observed in urban market while rural continue to drag the sentiment  | Demand environment remain steady despite hash heatwave and sticky food inflation, yet management witnessed early sign of rural recovery.  | We expect gradual recovery in rural markets while rising competition led by waning impact of inflation in key commodities may dent growth.  |
| <b>Outlook and guidance</b>             | Management to maintain price value equation, HUVR initiated further price cuts in mass soaps and BPC portfolio.  | Management expects mid-single digit volume growth along with low single digit price growth.   | Though operating environment would improve, expected to take price hike post 2HFY25 if RM prices stabilize.   |
| <b>Key interventions</b>                | HUL is undergoing a transformation in its beauty segment, focusing on contemporizing master brands, investing in high-growth demand spaces, and embedding core capabilities across the supply chain and marketing. | Management remained focus of premiumizing portfolio by leveraging technology and exceptional brand superiority. HUVR relaunched Vim bar with improved formulation, Dove glycolic hydration range and range of innovation under Lakme skin care. | HUVR would continue to add new products in their portfolio in the advent to establish its premiumisation journey, these initiatives may draw affluent customers in the urban markets. |
| <b>On margins and exceptional items</b> | Gross margin improve by 316bp to 51.9 % led by premiumise product mix.   | Gross margins inched up 154bps to 51.4% YoY on back of lower input costs for soda-ash, and SMP and also premium products mix.   | Margin would remain stable in the near future given product mix, premiumization and operating leverage.   |

Source: Centrum Broking

# Conference call highlights

## Overall market commentary

- In Q1 Net sales grew 1.3% to Rs 153.4bn supported by 4% volume growth
- Management expects gradual rural demand recovery aided by better monsoon, and improving macroeconomic indicators, though competitive intensity from the unorganized market remain elevated due to benign input cost environment
- HUVR's focus remains on driving competitive volume growth whilst stepping up investment behind our brands and long-term strategic priorities
- Over the last two years market volume recovery has been sluggish due to high inflation and erratic weather, causing rural growth to lag behind urban areas but now over the last two months management is seeing green shoots in rural demand
- HUVR have embarked on a journey of 'Transform to Outperform' led by, (1) grow the core, (2) market making & premiumisation, (3) reshaping portfolio in high growth spaces, and (4) building leadership in channels of future
- Throughout the quarter, prices of essential business commodities have remained stable within a narrow range, experiencing predominantly deflationary trends. Soda ash, palm oil, and skilled milk powder prices have been deflationary over two years while crude oil has been inflationary this year. Tea prices are currently rising due to harsh summer conditions impacting production in the July quarter
- Management expects MAT business winning metric to be back to 60% levels by the end of 2024 while over the last three months metric is at 55% levels
- The company has relaunched Vim to refine the dishwashing experience & introduced a new series of ponds that will further solidify their position as leaders in skincare under its framework of unmissable brand superiority
- The premium portfolio contribution up by 300bps over the last 3 years which can be evidenced in this quarter by the recent launch of Lakme's first ever skincare plus makeup range, Dove's new glycolic plus hydration range of shampoo, conditioner and space serum and Bru's Southern Trails
- E-commerce is a strong growth driver, growing three times faster than modern trade. The eB2B Shikhar App is scaling up with advanced tech analytics, delivering high customer satisfaction with a Net Promoter Score over 70%, reflecting exceptional customer loyalty
- The company has reduced its dependence on imported palm supply chain in the country, making its financial growth model for skin cleansing more resilient and less volatile
- Net material inflation (NMI) has been negative since June quarter '23, signifying deflation
- The effective tax rate for the quarter was 26.1% and management expect full-year ETR to be marginally above 26%
- Management guided step investment behind long term strategy of building capacities while maintaining healthy EBITDA range

## Margins

- Gross margins inched up 154bps to 51.4% YoY on back of lower input costs for soda-ash, and SMP and also premium products mix
- Ad-spends grew 11% YoY to Rs16.4bn, while other expenses grew by 6.9%, though staff cost lowered by 7.5%
- EBITDA increased by 1.4% to Rs.36.1bn, whilst EBITDA margins up 26bps YoY to 23.5%,
- Adj. PAT grew 3.1% to Rs.25.9bn largely due to higher interest expenses (+38.9% YoY)

## Outlook

- Management expects FMCG and rural demand to continue improving gradually
- Management anticipates that the outlook for the mass market will improve going forward
- Management expects they have a near zero price growth in short-term and going forward in H2FY25, they would have low single-digit price hike
- For the short-term, management aim to maintain current EBITDA margin levels while in the medium term, they anticipate modest improvement driven by optimizing product mix and leveraging operational efficiencies

## Category-wise commentary

**Homecare** (37% sales) grew 4.0% supported by high-single digit volume growth on the back of strong performance from premium portfolio

- Fabric Wash: Wash grew volumes in high-single digit led by structural actions taken across the portfolio, in both mass and premium segments
- Household Care: mid-single digit volume growth led by premium dish-wash portfolio
- Company relaunched Vim bar with improved formulation, journey towards premiumization in fabric wash liquids was also advanced through the expansion of Rin liquids
- EBIT margin up 128bps to 19.5%

**Beauty and Wellbeing** (20.9% sales) grew 3.1% on back of mid-single digit volume growth

- Hair Care segment witness double digit growth led by Clinic Plus, Sunsilk and Dove. Innovations and market development continue to yield results
- Skin Care and Colour Cosmetics recorded muted volume performance with mass portfolio declining. Growth momentum continues across premium skin portfolio and channels of the future
- During Q1 HUVR launched Dove glycolic hydration range, Vaseline gluta-hya overnight lotion and range of innovation under Lakme skin care
- EBIT margin came down by 161bp to 31.4%

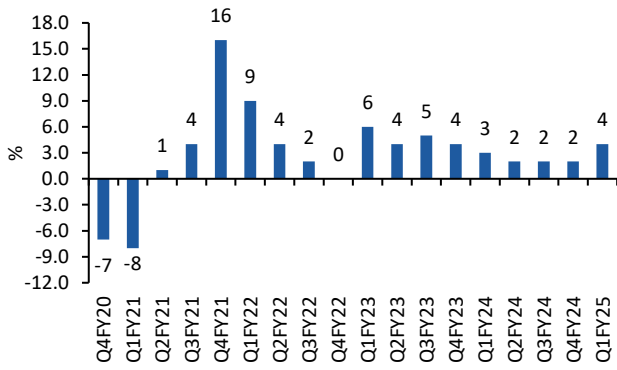
**Personal Care** (15.5% sales) declined 4.5% due to low-single digit volume growth on account of price cuts executed in previous quarters

- Oral care : Mid-single digit broad-based growth driven by pricing actions
- Bodywash continues to strengthen market leadership
- HUVR relaunched Lux and Lifebuoy with a superior formulation
- EBIT margin down by 34bps to 17.5%

**Foods & Refreshment** (25.1% sales) grew by 1.4% with stable volumes

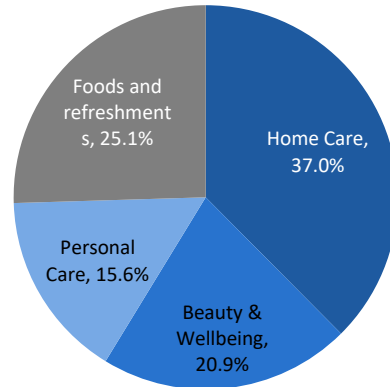
- Tea continued to gain value and volume market share; Coffee grew double digit driven by pricing and strong growth in channels
- Health drinks showed subdued performance in the quarter while continuing to gain the market share
- Food Solutions, Mayonnaise and Peanut Butter continue to gain traction
- Ice Cream double digit growth led by strong launches and sharp execution
- EBIT margin increased by 118bps to 19.1%

**Exhibit 2: Quarterly volume growth trends – YoY**



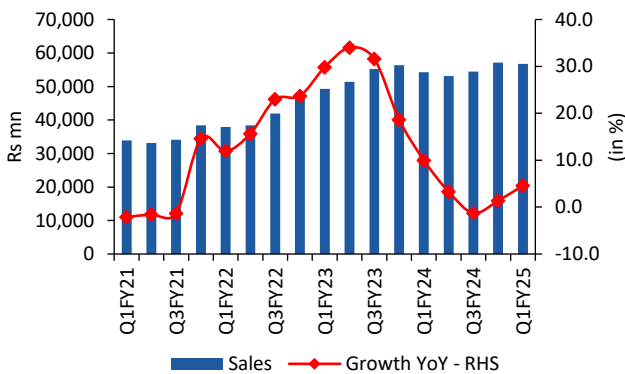
Source: Company Data, Centrum Broking

**Exhibit 3: Revenue mix, Q1FY25**



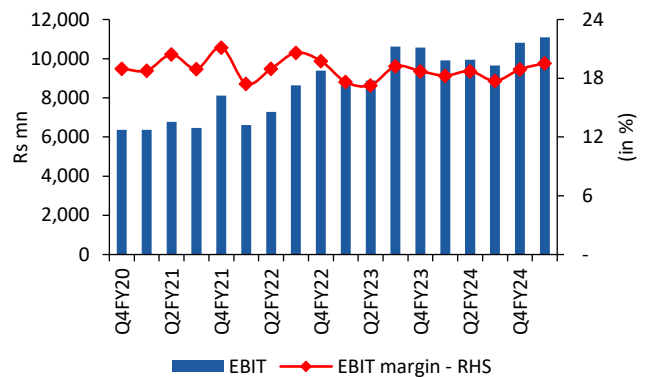
Source: Company Data, Centrum Broking

**Exhibit 4: Home care sales and growth trends**



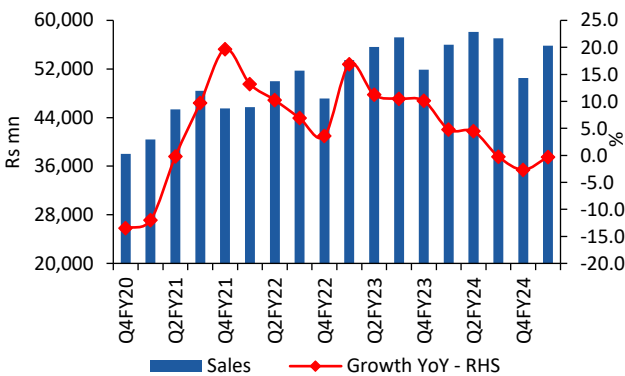
Source: Company Data, Centrum Broking

**Exhibit 5: Home care EBIT and EBIT margin trends**



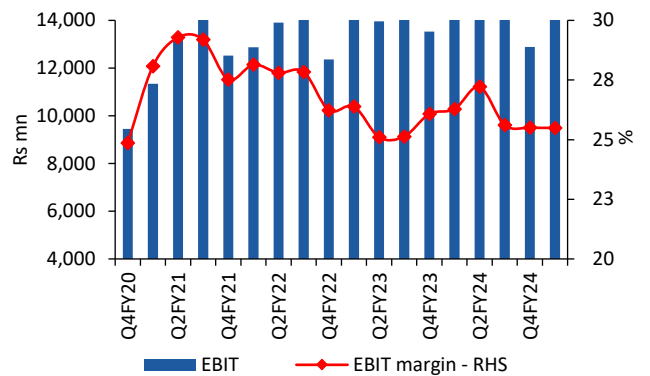
Source: Company Data, Centrum Broking

**Exhibit 6: Beauty & personal care sales and growth trends**



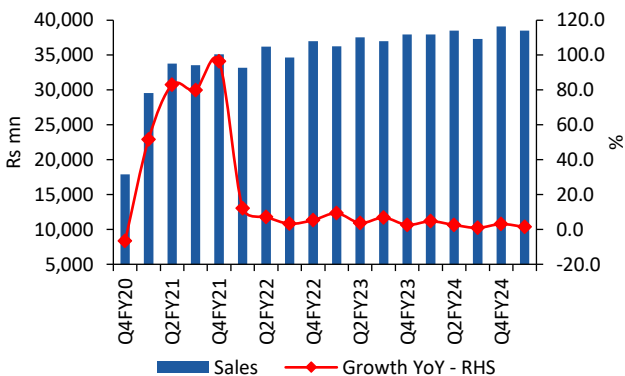
Source: Company Data, Centrum Broking

**Exhibit 7: Beauty & personal care EBIT and EBIT margin**



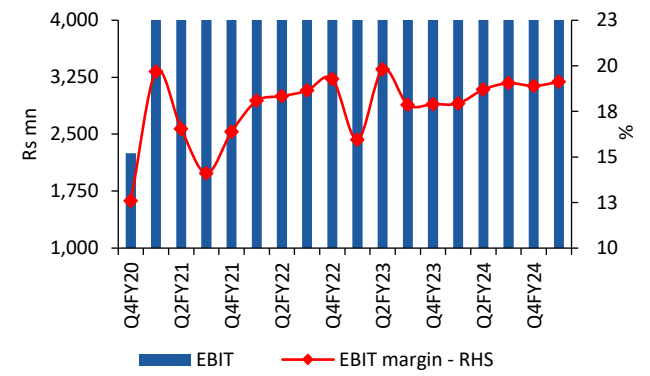
Source: Company Data, Centrum Broking

**Exhibit 8: Foods & refreshments sales and growth trends**



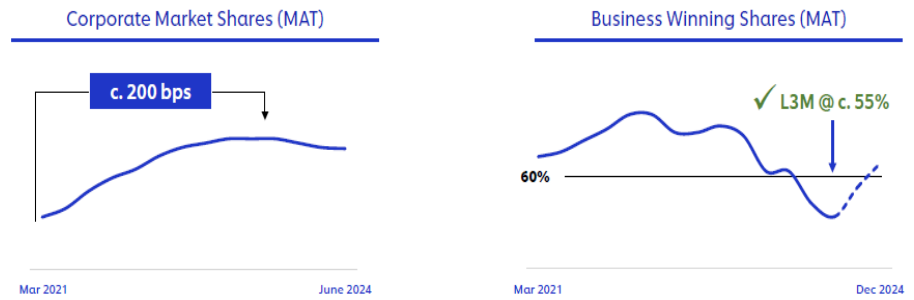
Source: Company Data, Centrum Broking

**Exhibit 9: Foods & refreshments EBIT and EBIT margin**



Source: Company Data, Centrum Broking

**Exhibit 10: Winning market share across portfolio**



**Backed by strong business fundamentals**

**95% + Value Weighted Distribution**

**75% + Business with stable/ gaining Brand Power**

Source: Company

**Exhibit 11: Key thrust area for company**

- 1** Grow the Core through Unmissable Brand Superiority
- 2** Drive Premiumisation
- 3** Reshape Portfolio in High Growth Spaces
- 4** Lead in Channels of the Future

Enabled by Distinctive Capabilities

Winning in Many Indias   Net Productivity   Digital Transformation   Sustainability   Future Fit Talent & Organisation

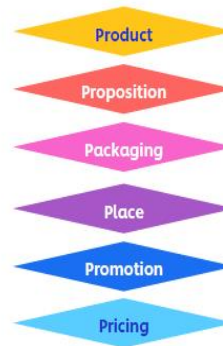
Source: Company

**Exhibit 12: Continue to grow core portfolio through Unmissable Brand Superiority**

Newly formulated dishwash bars providing superior performance



Growing Brand Power



Bringing science & desire to the forefront of our proposition



Gaining Market Share

Source: Company

**Exhibit 13: 1QFY25 segmental performance**

**JQ'24 Segment Results**

|         | Home Care   | Beauty & Wellbeing | Personal Care | Foods & Refreshment |
|---------|-------------|--------------------|---------------|---------------------|
| Revenue | ₹ 5,675 cr. | ₹ 3,199 cr.        | ₹ 2,386 cr.   | ₹ 3,850 cr.         |
| Margins | 20%         | 31%                | 18%           | 19%                 |

Source: Company

**Exhibit 14: Q1FY25 Home care performance**

**Home Care**

Strong volume led performance

**USG : 4%**      **UVG : High-single digit growth**

- ❑ **Fabric Wash:** High-single digit volume growth. Broad based performance across segments and formats led by investments in premium and mass brands
- ❑ **Household Care:** Volumes grew in mid-single digit on the back of strong performance by premium dishwash portfolio.
- ❑ Both categories continue to have negative price growth reflecting commodity deflation
- ❑ Sale and divestment of 'Pureit' announced subject to customary closing conditions in line with our strategic intent to focus on our core portfolio



Source: Company

**Exhibit 15: Q1FY25 Beauty and wellbeing performance**

**Beauty and Wellbeing**

Volume driven growth led by Hair Care

**USG : 3%**      **UVG : Mid-single digit growth**

- ❑ **Hair Care:** Double-digit volume growth led by Clinic Plus, Sunsilk and Dove. Focus on innovations and market development actions in high growth demand spaces continues to yield results
- ❑ **Skin Care and Colour Cosmetics:** Muted volume performance in the quarter with mass portfolio declining. Growth momentum continues across premium skin portfolio and channels of the future



Source: Company



**Exhibit 16: Q1FY25 personal care performance**

**Personal Care**

Resilient performance in Skin Cleansing

**USG : -5%**

**UVG : Low-single digit growth**

- ❑ **Oral Care:** Mid-single digit broad-based growth driven by pricing
- ❑ **Skin Cleansing:** Low-single digit volume growth while revenue declined due to pricing actions. Bodywash continues to strengthen market leadership. Visible early green shoots in bars indicate positive results from recent actions



Source: Company

**Exhibit 17: Q1FY25 Food and refreshment performance**

**Foods & Refreshment**

Stable performance, category impacted by a severe summer season

**USG : 1%**

**UVG : Flat**

- ❑ **Beverages:** Tea continued to cement its market leadership through value and volume share gains. Coffee grew in double digits driven by pricing and strong growth in channels of the future.
- ❑ **Nutrition Drinks (Horlicks & Boost):** Subdued performance in the quarter. Continue to gain market share and penetration on the back of sustained market development actions. Plus range maintains growth momentum.
- ❑ **Foods:** Low-single digit volume growth. Foods Solutions, Mayonnaise, Peanut Butter and International sauces continue to gain traction with consumers, boosted by partnerships, activations and product extensions
- ❑ **Ice Cream:** Double-digit volume growth aided by strong launches and sharp execution, in the season



Source: Company

**Exhibit 18: Quarterly financials – Segmental**

|                                   | Q2FY23        | Q4FY23        | Q4FY23        | Q1FY24        | Q2FY24          | Q3FY24       | Q1FY24        | Q1FY25        |
|-----------------------------------|---------------|---------------|---------------|---------------|-----------------|--------------|---------------|---------------|
| <b>Net Sales</b>                  |               |               |               |               |                 |              |               |               |
| Home care                         | 51,430        | 55,180        | 56,380        | 54,250        | 53,120          | 54480        | 57,150        | 56,750        |
| Beauty and Wellbeing              |               |               |               | 3,1030        |                 |              |               | 31,990        |
| Personal Care                     |               |               |               | 2,4980        |                 |              |               | 23,860        |
| <b>Beauty &amp; Personal Care</b> | <b>55,610</b> | <b>57,180</b> | <b>51,880</b> | <b>56,010</b> | <b>58,090</b>   | <b>57050</b> | <b>50,500</b> | <b>55,850</b> |
| <b>Foods &amp; Refreshments</b>   | <b>37,550</b> | <b>37,00</b>  | <b>37,940</b> | <b>37,970</b> | <b>38,510</b>   | <b>37330</b> | <b>39,110</b> | <b>38,500</b> |
| <b>EBIT</b>                       |               |               |               |               |                 |              |               |               |
| Home care                         | 8,890         | 10,160        | 10,560        | 9,910         | 9,950.0         | 9660         | 10,810        | 11,090        |
| Beauty and Wellbeing              |               |               |               | 10,260        |                 |              |               | 10,060        |
| Personal Care                     |               |               |               | 4460          |                 |              |               | 4,180         |
| <b>Beauty &amp; Personal Care</b> | <b>13,960</b> | <b>14,370</b> | <b>13,530</b> | <b>14,720</b> | <b>15,810.0</b> | <b>14610</b> | <b>12,880</b> | <b>14,240</b> |
| <b>Foods &amp; Refreshments</b>   | <b>7,440</b>  | <b>6,610</b>  | <b>6,790</b>  | <b>6,810</b>  | <b>7,200.0</b>  | <b>7110</b>  | <b>7,390</b>  | <b>7,360</b>  |
| <b>Growth (%)</b>                 |               |               |               |               |                 |              |               |               |
| Home care                         | 2.3           | 19.3          | (0.5)         | (6.2)         | 0.4             | (2.9)        | 11.9          | 4.6           |
| Beauty and Wellbeing              |               |               |               |               |                 |              |               | 3.1           |
| Personal Care                     |               |               |               |               |                 |              |               | -4.5          |
| <b>Beauty &amp; Personal Care</b> | <b>(1.1)</b>  | <b>2.9</b>    | <b>(5.8)</b>  | <b>8.8</b>    | <b>7.4</b>      | <b>(7.6)</b> | <b>(11.8)</b> | <b>-0.3</b>   |
| <b>Foods &amp; Refreshments</b>   | <b>28.7</b>   | <b>(11.2)</b> | <b>2.7</b>    | <b>0.3</b>    | <b>5.7</b>      | <b>(1.3)</b> | <b>3.9</b>    | <b>1.4</b>    |
| <b>EBIT Margin (%)</b>            |               |               |               |               |                 |              |               |               |
| Home care                         | 17.3          | 19.2          | 18.7          | 18.3          | 18.7            | 17.7         | 18.9          | 19.5          |
| Beauty and Wellbeing              |               |               |               | 33.1          |                 |              |               | 31.4          |
| Personal Care                     |               |               |               | 17.9          |                 |              |               | 17.5          |
| <b>Beauty &amp; Personal Care</b> | <b>25.1</b>   | <b>25.1</b>   | <b>26.1</b>   | <b>26.3</b>   | <b>27.2</b>     | <b>25.6</b>  | <b>25.5</b>   | <b>25.5</b>   |
| <b>Foods &amp; Refreshments</b>   | <b>19.8</b>   | <b>17.9</b>   | <b>17.9</b>   | <b>17.9</b>   | <b>18.7</b>     | <b>19.0</b>  | <b>18.9</b>   | <b>19.1</b>   |

Source: Company, Centrum Broking

**Exhibit 19: Quarterly financials – Standalone**

| Particulars (Rs mn)                             | Q2FY23         | Q4FY23         | Q4FY23         | Q1FY24         | Q2FY24          | Q4FY24          | Q4FY24          | Q1FY25          |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Sales</b>                                | <b>147,510</b> | <b>152,280</b> | <b>148,930</b> | <b>151,480</b> | <b>152,760</b>  | <b>152,760</b>  | <b>1,48,570</b> | <b>1,53,390</b> |
| Accretion to Stocks in trade & work in progress | (3390)         | 3,380          | 830            | 2240           | (340)           | (1770)          | (2100)          | (480)           |
| Raw Material Consumed                           | 51,970         | 47,670         | 45,460         | 44,710         | 44,120          | 46000           | 43080           | 44,780          |
| Purchase of Stock-in-Trade                      | 31,360         | 28,920         | 30,100         | 28,930         | 28,430          | 29440           | 28640           | 30,180          |
| Employee Expenses                               | 7,090          | 6,760          | 6,830          | 6,510          | 7,080           | 6490            | 7,740           | 6,020           |
| Other Exp                                       | 26,710         | 30,180         | 31,000         | 33,880         | 36,530          | 36,320.0        | 34,970          | 36,830          |
| <b>Operating Profit (Core EBITDA)</b>           | <b>33,770</b>  | <b>35,370</b>  | <b>34,710</b>  | <b>35,210</b>  | <b>36,940</b>   | <b>35400</b>    | <b>34,350</b>   | <b>36,060</b>   |
| Depreciation                                    | 2,480          | 2,600          | 2,620          | 2,570          | 2,690           | 2,820.0         | 2,890           | 2,980           |
| <b>EBIT</b>                                     | <b>31,290</b>  | <b>32,770</b>  | <b>32,090</b>  | <b>32,640</b>  | <b>34,250</b>   | <b>32580</b>    | <b>31,460</b>   | <b>33,080</b>   |
| Interest  | 250            | 260            | 240            | 470            | 720             | 810             | 1,020           | 850             |
| Other Income                                    | 1,150          | 2,280          | 1,600          | 1,850          | 2,830           | 2850            | 2,200           | 2,570           |
| Other Excep. Items                              | (280)          | (1,020)        | 800            | (370)          | (50)            | (300)           | (170)           | (480)           |
| <b>Profit Before Tax</b>                        | <b>31,910</b>  | <b>33,770</b>  | <b>34,250</b>  | <b>34,020</b>  | <b>36,360</b>   | <b>34620</b>    | <b>32,640</b>   | <b>34,800</b>   |
| Tax   | 5,750          | 8,720          | 8,730          | 8,930          | 9,140           | 9130            | 8,410           | 8,940           |
| Tax rate (%)                                    | 18.0           | 25.8           | 25.5           | 26.0           | 25.8            | 26.4            | 25.8            | 25.7            |
| <b>Profit After Tax</b>                         | <b>26,160</b>  | <b>25,050</b>  | <b>25,520</b>  | <b>24,720</b>  | <b>27,170</b>   | <b>25,190</b>   | <b>24,060</b>   | <b>25,380</b>   |
| <b>Adjusted PAT</b>                             | <b>26,440</b>  | <b>26,070</b>  | <b>24,720</b>  | <b>25,090</b>  | <b>27,220.0</b> | <b>25,490.0</b> | <b>24,230.0</b> | <b>25,860.0</b> |
| <b>Growth (%)</b>                               |                |                |                |                |                 |                 |                 |                 |
| Net Sales                                       | 15.9           | 16.3           | 10.6           | 12.5           | 7.0             | (0.3)           | (0.2)           | 1.3             |
| EBITDA  | 7.8            | 7.9            | 7.0            | 8.5            | 13.8            | 0.1             | (1.0)           | 2.4             |
| Adj. PAT  | 20.9           | 12.9           | 8.9            | 10.6           | 18.3            | (2.2)           | (2.0)           | 3.1             |
| <b>Margin (%)</b>                               |                |                |                |                |                 |                 |                 |                 |
| Gross Margin                                    | 45.8           | 47.5           | 48.7           | 49.9           | 52.7            | 51.5            | 51.8            | 51.4            |
| EBITDA  | 22.9           | 23.2           | 23.3           | 23.2           | 24.2            | 23.3            | 23.1            | 23.5            |
| EBIT  | 21.2           | 21.5           | 21.5           | 21.5           | 22.4            | 21.5            | 21.2            | 21.6            |
| PAT   | 17.9           | 17.1           | 16.6           | 16.6           | 17.8            | 16.8            | 16.3            | 16.9            |

Source: Company Data, Centrum Broking

| <b>P&amp;L</b>                 |                 |                 |                 |                 |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE Mar (Rs mn)                 | FY22A           | FY23A           | FY24A           | FY25E           | FY26E           |
| <b>Revenues</b>                | <b>5,11,930</b> | <b>5,91,440</b> | <b>6,04,690</b> | <b>6,50,319</b> | <b>7,15,793</b> |
| Operating Expense              | 2,51,240        | 3,11,440        | 2,93,270        | 3,14,017        | 3,44,916        |
| Employee cost                  | 23,990          | 26,650          | 27,820          | 31,017          | 37,855          |
| Others                         | 1,11,670        | 1,17,030        | 1,41,700        | 1,51,077        | 1,61,080        |
| <b>EBITDA</b>                  | <b>1,25,030</b> | <b>1,36,320</b> | <b>1,41,900</b> | <b>1,54,209</b> | <b>1,71,941</b> |
| Depreciation & Amortisation    | 10,250          | 10,300          | 10,970          | 10,172          | 11,154          |
| <b>EBIT</b>                    | <b>1,14,780</b> | <b>1,26,020</b> | <b>1,30,930</b> | <b>1,44,037</b> | <b>1,60,787</b> |
| Interest expenses              | 980             | 1,010           | 3,020           | 3,231           | 3,393           |
| Other income                   | 3,930           | 6,400           | 9,730           | 10,898          | 12,641          |
| <b>PBT</b>                     | <b>1,17,730</b> | <b>1,31,410</b> | <b>1,37,640</b> | <b>1,51,703</b> | <b>1,70,036</b> |
| Taxes                          | 29,210          | 31,170          | 35,610          | 38,988          | 44,209          |
| Effective tax rate (%)         | 24.8            | 23.7            | 25.9            | 25.7            | 26.0            |
| <b>PAT</b>                     | <b>88,520</b>   | <b>1,00,240</b> | <b>1,02,030</b> | <b>1,12,715</b> | <b>1,25,826</b> |
| Minority/Associates            | 0               | 0               | 0               | 0               | 0               |
| <b>Recurring PAT</b>           | <b>88,520</b>   | <b>1,00,240</b> | <b>1,02,030</b> | <b>1,12,715</b> | <b>1,25,826</b> |
| Extraordinary items            | (340)           | (620)           | (890)           | 0               | 0               |
| <b>Reported PAT</b>            | <b>88,180</b>   | <b>99,620</b>   | <b>1,01,140</b> | <b>1,12,715</b> | <b>1,25,826</b> |
| <b>Ratios</b>                  |                 |                 |                 |                 |                 |
| YE Mar                         | FY22A           | FY23A           | FY24A           | FY25E           | FY26E           |
| <b>Growth (%)</b>              |                 |                 |                 |                 |                 |
| Revenue                        | 11.3            | 15.5            | 2.2             | 7.5             | 10.1            |
| EBITDA                         | 10.4            | 9.0             | 4.1             | 8.7             | 11.5            |
| Adj. EPS                       | 8.2             | 13.2            | 1.8             | 10.5            | 11.6            |
| <b>Margins (%)</b>             |                 |                 |                 |                 |                 |
| Gross                          | 50.9            | 47.3            | 51.5            | 51.7            | 51.8            |
| EBITDA                         | 24.4            | 23.0            | 23.5            | 23.7            | 24.0            |
| EBIT                           | 22.4            | 21.3            | 21.7            | 22.1            | 22.5            |
| Adjusted PAT                   | 17.2            | 16.8            | 16.7            | 17.3            | 17.6            |
| <b>Returns (%)</b>             |                 |                 |                 |                 |                 |
| ROE                            | 18.4            | 20.3            | 20.2            | 21.9            | 23.8            |
| ROCE                           | 18.6            | 20.4            | 20.6            | 22.4            | 24.3            |
| ROIC                           | 16.9            | 18.4            | 18.3            | 20.2            | 22.5            |
| <b>Turnover (days)</b>         |                 |                 |                 |                 |                 |
| Gross block turnover ratio (x) | 5.4             | 5.6             | 5.0             | 4.8             | 4.8             |
| Debtors                        | 13              | 14              | 16              | 16              | 14              |
| Inventory                      | 53              | 46              | 49              | 46              | 45              |
| Creditors                      | 127             | 107             | 122             | 123             | 124             |
| Net working capital            | 26              | 27              | 48              | 49              | 54              |
| <b>Solvency (x)</b>            |                 |                 |                 |                 |                 |
| Net debt-equity                | (0.1)           | (0.1)           | (0.2)           | (0.2)           | (0.3)           |
| Interest coverage ratio        | 127.6           | 135.0           | 47.0            | 47.7            | 50.7            |
| Net debt/EBITDA                | (0.6)           | (0.5)           | (0.8)           | (0.8)           | (0.9)           |
| <b>Per share (Rs)</b>          |                 |                 |                 |                 |                 |
| Adjusted EPS                   | 37.7            | 42.7            | 43.4            | 48.0            | 53.6            |
| BVPS                           | 207.5           | 213.8           | 217.0           | 220.9           | 228.5           |
| CEPS                           | 42.0            | 47.0            | 48.1            | 52.3            | 58.3            |
| DPS                            | 34.0            | 39.0            | 42.0            | 44.0            | 46.0            |
| Dividend payout (%)            | 90.6            | 92.0            | 97.6            | 91.7            | 85.9            |
| <b>Valuation (x)</b>           |                 |                 |                 |                 |                 |
| P/E                            | 73.4            | 64.8            | 63.7            | 57.7            | 51.6            |
| P/BV                           | 13.3            | 12.9            | 12.7            | 12.5            | 12.1            |
| EV/EBITDA                      | 47.3            | 43.4            | 41.4            | 38.0            | 33.9            |
| Dividend yield (%)             | 1.2             | 1.4             | 1.5             | 1.6             | 1.7             |

Source: Company, Centrum Broking

| <b>Balance sheet</b>            |                 |                 |                 |                   |                   |
|---------------------------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| YE Mar (Rs mn)                  | FY22A           | FY23A           | FY24A           | FY25E             | FY26E             |
| Equity share capital            | 2,350           | 2,350           | 2,350           | 2,350             | 2,350             |
| Reserves & surplus              | 4,85,250        | 4,99,860        | 5,07,380        | 5,16,717          | 5,34,467          |
| Shareholders fund               | 4,87,600        | 5,02,210        | 5,09,730        | 5,19,067          | 5,36,817          |
| Minority Interest               | 0               | 0               | 0               | 0                 | 0                 |
| Total debt                      | 0               | 0               | 0               | 0                 | 0                 |
| Non Current Liabilities         | 1,00,330        | 99,770          | 1,37,000        | 1,42,184          | 1,50,127          |
| Def tax liab. (net)             | 0               | 0               | 0               | 0                 | 0                 |
| <b>Total liabilities</b>        | <b>5,87,930</b> | <b>6,01,980</b> | <b>6,46,730</b> | <b>6,61,251</b>   | <b>6,86,944</b>   |
| Gross block                     | 94,730          | 1,05,200        | 1,20,470        | 1,34,333          | 1,49,591          |
| Less: acc. Depreciation         | (36,600)        | (43,310)        | (48,690)        | (59,588)          | (72,229)          |
| Net block                       | 58,130          | 61,890          | 71,780          | 74,745            | 77,362            |
| Capital WIP                     | 9,010           | 10,200          | 9,150           | 10,065            | 11,072            |
| Net fixed assets                | 5,19,350        | 5,24,250        | 5,32,940        | 5,36,820          | 5,40,444          |
| Non Current Assets              | 25,430          | 23,680          | 25,030          | 27,533            | 30,286            |
| Investments                     | 6,120           | 9,830           | 9,830           | 9,830             | 9,830             |
| Inventories                     | 38,900          | 40,310          | 38,120          | 40,979            | 43,144            |
| Sundry debtors                  | 19,320          | 27,350          | 26,900          | 28,507            | 27,455            |
| Cash & Cash Equivalents         | 71,280          | 72,330          | 1,17,260        | 1,28,648          | 1,60,423          |
| Loans & advances                | 16,840          | 20,380          | 20,560          | 22,616            | 24,878            |
| Other current assets            | 130             | 120             | 120             | 120               | 120               |
| Trade payables                  | 88,640          | 93,910          | 1,01,480        | 1,10,465          | 1,23,548          |
| Other current liab.             | 17,460          | 18,570          | 19,260          | 19,798            | 22,194            |
| Provisions                      | 3,340           | 3,790           | 3,290           | 3,538             | 3,894             |
| Net current assets              | 37,030          | 44,220          | 78,930          | 87,068            | 1,06,383          |
| <b>Total assets</b>             | <b>5,87,930</b> | <b>6,01,980</b> | <b>6,46,730</b> | <b>6,61,251</b>   | <b>6,86,944</b>   |
| <b>Cashflow</b>                 |                 |                 |                 |                   |                   |
| YE Mar (Rs mn)                  | FY22A           | FY23A           | FY24A           | FY25E             | FY26E             |
| Profit Before Tax               | 1,17,390        | 1,30,790        | 1,36,750        | 1,51,703          | 1,70,036          |
| Depreciation & Amortisation     | 10,400          | 10,450          | 10,970          | 10,172            | 11,154            |
| Net Interest                    | (2,400)         | (5,430)         | (7,270)         | (7,666)           | (9,248)           |
| Net Change – WC                 | (7,890)         | (8,630)         | 11,360          | 12,981            | 23,905            |
| Direct taxes                    | (27,200)        | (30,680)        | (2,950)         | (38,988)          | (44,209)          |
| <b>Net cash from operations</b> | <b>89,640</b>   | <b>96,260</b>   | <b>1,48,840</b> | <b>1,28,202</b>   | <b>1,51,637</b>   |
| Capital expenditure             | (7,730)         | (9,030)         | (12,890)        | (14,778)          | (15,258)          |
| Acquisitions, net               | 0               | 0               | 0               | 0                 | 0                 |
| Investments                     | (12,200)        | 8,020           | (14,460)        | 0                 | 0                 |
| Others                          | 2,610           | (9,610)         | (22,360)        | 0                 | 0                 |
| <b>Net cash from investing</b>  | <b>(17,320)</b> | <b>(10,620)</b> | <b>(49,710)</b> | <b>(14,778)</b>   | <b>(15,258)</b>   |
| <b>FCF</b>                      | <b>72,320</b>   | <b>85,640</b>   | <b>99,130</b>   | <b>1,13,425</b>   | <b>1,36,379</b>   |
| Issue of share capital          | 0               | 0               | 0               | 0                 | 0                 |
| Increase/(decrease) in debt     | 0               | 0               | 0               | 0                 | 0                 |
| Dividend paid                   | (75,190)        | (84,590)        | (93,980)        | (1,03,378)        | (1,08,077)        |
| Interest paid                   | (4,650)         | (5,070)         | (4,920)         | (3,169)           | (1,487)           |
| Others                          | 0               | 0               | 0               | 0                 | 0                 |
| <b>Net cash from financing</b>  | <b>(79,840)</b> | <b>(89,660)</b> | <b>(98,900)</b> | <b>(1,06,547)</b> | <b>(1,09,564)</b> |
| Net change in Cash              | (7,520)         | (4,020)         | 230             | 6,878             | 26,815            |

Source: Company, Centrum Broking

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#### Hindustan Unilever Ltd



Source: Bloomberg

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