

April 24, 2025

RESULT REPORT Q4 FY25 | Sector: Consumer Staples

Hindustan Unilever

Near-term margin guidance revised downwards

Hindustan Unilever's (HUVR) 4QFY25 headline performance was largely in-line. Operating margins were only slightly lower than our expectation. Absolute volume tonnage grew in mid-single digit, but it was partially offset by a negative mix. Underlying Volume Growth (UVG) thus grew by ~2% (vs est. 0.5%). Commentary for the very near-term highlights company's focus to turnaround growth but this will on the back of margin sacrifice. HUVR now expects gross margins to moderate over the very near-term. This along with stepping up of investments have led to EBITDA margin guidance being revised lower by a 1% to 22-23%. Consequently, in our model, FY26 earnings growth will again be in single digit versus a double-digit growth expectation earlier. There is a 6%/4.8% downward revision in our FY26E/FY27E EPS. Targeting ~50x on FY27E EPS, we now get a revised target price (TP) of Rs2,540 (Rs2,670 earlier). Maintain ADD.

Result Highlights

- Headline performance:** Standalone turnover (including other operating income-OOI) for 4QFY25 grew by 2.4% YoY to Rs152.1bn (vs est. Rs152.5bn). EBITDA was up 0.9% YoY at Rs34.7bn (vs est. Rs35.4bn). Recurring PAT (PAT bei) was up 4.2% YoY to Rs25bn (vs est. Rs25bn). Reported PAT grew by 3.6% YoY to Rs24.9bn.
- UVG** for 4QFY25 came at ~2%, slightly above our est. of 0.5%.
- Margins** (Please note, our margins calculated with revenue (Sales+OOI) in denominator and not sales.): Reported gross margin came in at 50.5%, down ~140bps YoY (-20bps QoQ). While EBITDA margin was down 30bps YoY at 23.2% (~40bps below our est.). A&SP was down 110bps YoY to 9.6% (down 8.3% on absolute basis). Other expenses and Staff costs were flattish YoY.
- FY25 performance:** Revenue, EBITDA and Recurring PAT grew by 1.7%, 0.7% and 1.1% YoY, respectively. Gross margin was down 60bps YoY to 50.9% while EBITDA margin was down 20bps YoY to 23.2%.

Key near-term outlook

(1) Expect 1HFY26 growth to be better than 2HFY25. (2) At current commodity prices, price growth for HUVR is expected to be in the low-single digit range in the near future. (3) With expectation of moderation in gross margins and stepping up of investments, EBITDA margin guidance for the next 2-3 quarters have been revised downwards to 22-23%.

View & Valuation

Model changes has led to 6%/4.8% downward revision in our FY26E/FY27E EPS. Gradual improvement in growth along with low-single digit pricing (anniversarization of earlier price actions + price cuts in some part of the portfolio offsetting hikes in other part) and a downward revision in EBITDA margins to 22-23% band (calculated on sales) leads to just ~5% earnings growth in FY26 versus a double-digit growth expectation earlier. Over FY25-27E, we now expect HUVR to deliver ~6.9% revenue CAGR led by ~5% volume CAGR. With gross margin recovery delayed, we believe EBITDA margin will now see a modest improvement of ~30bps over FY25-27E. Thus, leading to a subdued 8.1% earnings CAGR over the same period. HUVR is now currently trading at ~51x/46x on our FY26E/FY27E EPS. Since the valuations are relative reasonable, we hold our rating to ADD and a revised TP of Rs2,540 (Rs2,670 earlier), targeting 50x on FY27E EPS.

Exhibit 1: Actual vs estimate

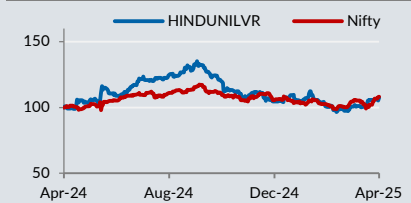
Rsmn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Revenue	152,140	152,559	152,004	(0.3)	0.1
EBITDA	34,660	35,439	34,904	(2.2)	(0.7)
EBITDA Margin (%)	22.8	23.2	23.0	(0.4)	(0.2)
Recurring PAT	24,970	24,993	24,824	(0.1)	0.6

RECO	:	ADD
CMP	:	Rs 2,326
Target Price	:	Rs 2,540
Potential Return	:	+9.2%

Stock data (as on April 24, 2025)

Nifty	24,247
52 Week h/l (Rs)	3023 / 2136
Market cap (Rs/USD mn)	5694940 / 66743
Outstanding Shares (mn)	2,350
6m Avg t/o (Rs mn):	4,114
Div yield (%):	1.8
Bloomberg code:	HUVR IN
NSE code:	HINDUNILVR

Stock performance



	1M	3M	1Y
Absolute return	3.1%	-1.8%	3.3%

Shareholding pattern (As of Dec'24 end)

Promoter	61.9%
FII+DII	26.2%
Others	11.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2,540	2,670

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	45.7	50.8
EPS (Old)	48.6	53.4
% change	(6.0%)	(4.8%)

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	614,690	654,464	702,093
YoY Growth (%)	1.7	6.5	7.3
EBIDTA	142,890	149,427	165,308
Margins (%)	23.2	22.8	23.5
APAT	102,200	107,336	119,488
EPS	43.5	45.7	50.8
YoY Growth (%)	1.1	5.0	11.3
Pre-tax RoCE (%)	28.4	30.1	33.4
ROE (%)	20.4	21.8	24.3
P/E (x)	53.5	50.9	45.7
EV/EBITDA (x)	37.7	36.0	32.5

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Segmental performance:

(1) Home care (HC) grew by 1.8% YoY (3.1% below our est.) with mid-single digit UVG; segment EBIT margin down 80bps YoY to 18.2%.

(2) Beauty & Wellbeing grew by just 4.2% YoY with low single digit UVG; segment EBIT margin up 260bps YoY to 33.3%

(3) Personal care grew by 3% YoY with low-single digit UVG decline; segment EBIT margin was up 50bps YoY to 18.5%. Overall BPC was up 3.7%YoY (3.9% above our est.).

(4) Foods & Refreshments (F&R) was flat YoY (1.9% below our est.) with mid-single digit UVG decline, segment EBIT margin was down 280bps YoY to 16.1%.

Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Revenue	148,570	154,080	152,140	2.4	-1.3	604,690	614,690	1.7
COGS	71,510	76,010	75,340	5.4	-0.9	293,270	301,760	2.9
Gross margin %	51.9%	50.7%	50.5%	-1.4%	-0.2%	51.5%	50.9%	-0.6%
Employee costs	7,740	6,840	7,890	1.9	15.4	27,820	28,400	2.1
% of sales	5.2%	4.4%	5.2%	0.0%	0.7%	4.6%	4.6%	0.0%
Advertising costs	15,860	14,660	14,540	-8.3	-0.8	63,800	60,280	-5.5
% of sales	10.7%	9.5%	9.6%	-1.1%	0.0%	10.6%	9.8%	-0.7%
Other expenses	19,110	20,870	19,710	3.1	-5.6	77,900	81,360	4.4
% of sales	12.9%	13.5%	13.0%	0.1%	-0.6%	12.9%	13.2%	0.4%
EBITDA	34,350	35,700	34,660	0.9	-2.9	141,900	142,890	0.7
EBITDA margin %	23.1%	23.2%	22.8%	-0.3%	-0.4%	23.5%	23.2%	-0.2%
Depreciation	2,890	3,080	3,130	8.3	1.6	10,970	12,240	11.6
EBIT	31,460	32,620	31,530	0.2	-3.3	130,930	130,650	-0.2
Interest expense	1,020	1,050	750	-26.5	-28.6	3,020	3,640	20.5
Other income	2,200	3,120	2,990	35.9	-4.2	9,730	11,770	21.0
PBT	32,470	39,780	33,540	3.3	-15.7	136,750	143,000	4.6
Tax	8,410	9,770	8,610	2.4	-11.9	35,610	36,560	2.7
Effective tax rate %	26%	25%	26%	-0.2%	1.1%	26%	26%	-0.5%
PAT	24,060	30,010	24,930	3.6	-16.9	101,140	106,440	5.2
Adjusted PAT	23,960	25,400	24,970	4.2	-1.7	101,050	102,200	1.1
Adj PAT margin %	16.1%	16.5%	16.4%	0.3%	-0.1%	16.7%	16.6%	-0.1%
EPS	10.2	10.8	10.6	4.2	-1.7	46.7	43.5	-6.8

Source: Company, YES Sec

Exhibit 3: Segmental Performance

	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Underlying volume growth (UVG) (%)	2.0%	0.0%	2.0%			2.2	2.2	
Segment revenue	148,570	154,080	152,140	2.4%	-1.3%	604,690	614,690	1.7%
Home care	57,150	57,420	58,180	1.8%	1.3%	219,000	229,720	4.9%
Beauty & Wellbeing	29,870	34,380	31,130	4.2%	-9.5%	127,540	130,730	2.5%
Personal Care	20,630	22,460	21,240	3.0%	-5.4%	94,110	91,680	-2.6%
Foods and Refreshments	39,110	37,450	38,960	-0.4%	4.0%	152,920	152,940	0.0%
Others	1,810	2,370	2,630	45.3%	11.0%	11,120	9,620	-13.5%
Sales proportion %								
Home care	38.5%	37.3%	38.2%	-0.2%	1.0%	36.2%	37.4%	1.2%
Beauty & Wellbeing	20.1%	22.3%	20.5%	0.4%	-1.9%	21.1%	21.3%	0.2%
Personal Care	13.9%	14.6%	14.0%	0.1%	-0.6%	15.6%	14.9%	-0.6%
Foods and Refreshments	26.3%	24.3%	25.6%	-0.7%	1.3%	25.3%	24.9%	-0.4%
Others	1.2%	1.5%	1.7%	0.5%	0.2%	1.8%	1.6%	-0.3%

Segment results	31,460	32,620	31,530	0.2%	-3.3%	130,930	130,650	-0.2%
Home care	10,810	10,540	10,560	-2.3%	0.2%	40,330	43,060	6.8%
Beauty & Wellbeing	9,170	10,120	10,370	13.1%	2.5%	41,650	41,760	0.3%
Personal Care	3,710	3,950	3,920	5.7%	-0.8%	16,370	16,060	-1.9%
Foods and Refreshments	7,390	7,550	6,270	-15.2%	-17.0%	28,510	28,080	-1.5%
Others	380	460	410	7.9%	-10.9%	4,070	1,690	-58.5%
EBIT margin %								
Home care	18.9%	18.4%	18.2%	-0.8%	-0.2%	18.4%	18.7%	0.3%
Beauty & Wellbeing	30.7%	29.4%	33.3%	2.6%	3.9%	32.7%	31.9%	-0.7%
Personal Care	18.0%	17.6%	18.5%	0.5%	0.9%	17.4%	17.5%	0.1%
Foods and Refreshments	18.9%	20.2%	16.1%	-2.8%	-4.1%	18.6%	18.4%	-0.3%
Others	21.0%	19.4%	15.6%	-5.4%	-3.8%	36.6%	17.6%	-19.0%
EBIT composition %								
Home care	34.4%	32.3%	33.5%	-0.9%	1.2%	30.8%	33.0%	2.2%
Beauty & Wellbeing	29.1%	31.0%	32.9%	3.7%	1.9%	31.8%	32.0%	0.2%
Personal Care	11.8%	12.1%	12.4%	0.6%	0.3%	12.5%	12.3%	-0.2%
Foods and Refreshments	23.5%	23.1%	19.9%	-3.6%	-3.3%	21.8%	21.5%	-0.3%
Others	1.2%	1.4%	1.3%	0.1%	-0.1%	3.1%	1.3%	-1.8%

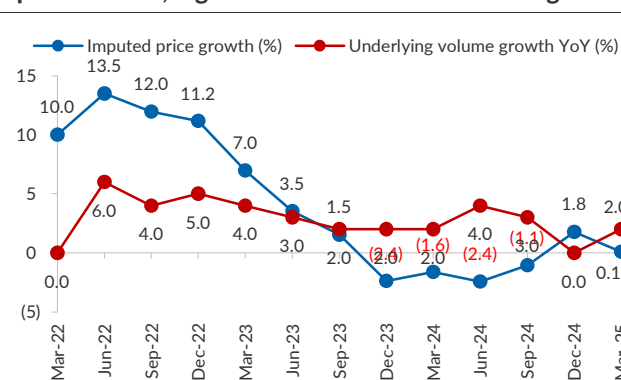
Source: Company, YES Sec

HUVR 4QFY25 CONFERENCE CALL & PRESENTATION TAKEAWAYS

- **Outlook:** The company expects growth to gradually improve during the year led by portfolio transformation and improving macro environment; H1FY26 to be better than H2 FY'25. Gross Margins will see moderation in the near term. For the next 2-3 quarters, the margins will be in the range of 22-23% post which it will see recovery led by moderating inflation.
- **Volume growth:** Absolute tonnage grew in mid-single digit offset by negative mix leading to 2% UVG.
- **Medium term guidance:** The management remain committed to achieve double digit EPS growth in medium to long term.
- **Rural vs Urban:** Rural growth improved gradually during the quarter while urban is still under pressure. Including e-commerce data, urban growth is still moderating.
- **Pricing:** If commodities remain where they are, price growth is expected to be in the low-single digit range. Pricing growth for FY25 was near zero.
- **Margins:** ~100bps contraction in margins guidance will be spent towards A&SP, distribution expansion & brand development. The spends will be largely skewed towards B&W segment. Every 1% delta growth gives 40-50bps of operating leverage, but the margin guidance is on net basis. After continued improvement in growth, the company will start focusing on profitability. Margins to start improving by 2HFY26.
- **Home care:** Liquid saw double digit growth with a portfolio of Rs35bn. Liquids growing 5x faster than rest of portfolio. In Fabric care, powders are profitable. Rs99 pack is doing well. It is leveraging from Bars to powder trend. In South, the growth of liquids is higher. It is also seeing conversion from powders to liquids. There will be no further pricing actions in this segment and will see negative UPG for the next 2 quarters.
- **Beauty & Wellbeing:** The segment saw double-digit growth led by volume. Sunscreen penetration in India is just 3% growing at 30-40% with high margins. Minimalist FY25 turnover has crossed Rs5bn.

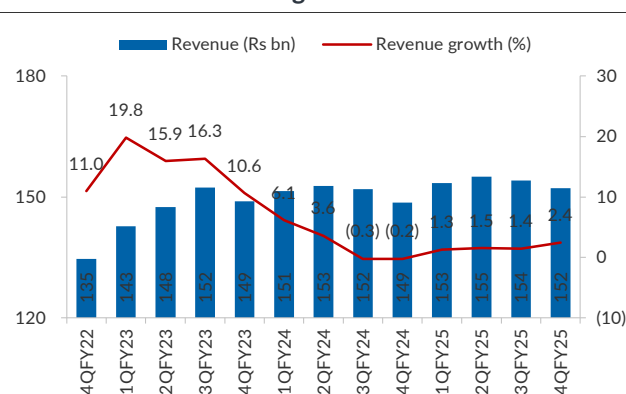
- **Skin care:** Skin care saw low single digit decline. For last 4 quarters, Skin care's market makers portfolio is growing in double digits. Channels of the Future are gaining share. The company has revamped Glow&Lovely brand and now seeing sequential growth. It has extended Ponds and Lakme in new demand spaces and formats.
- **Oziva** now has Rs4bn ARR and growing. Reached break even profitability. As scale comes, there will be further improvement in profitability.
- **Personal Care:** Oral Care grew in low-single digit led by pricing. The company confident of seeing recovery in Lifebuoy after the relaunch. If commodity prices remain firm, it will take pricing actions for a couple of quarters. Lifebuoy was relaunched at the Maha Kumbh with an enhanced 'Skin Protection' proposition and superior product formulation.
- **Oral Care:** The promotional intensity is a result of under-penetration of the category. The company has increased the prices and as a result net realizations are improving. CloseUp will grow faster due to white spaces. It is not playing promotional strategy unlike the category leader.
- **Beverages:** Tea grew in low-single digit led by pricing. The company expects good trends in tea after price value equations is on track. Coffee has grown in double digits led by channels of the future.
- **Nutrition Drinks:** The management will focus on 1) Revitalizing Horlicks portfolio. 2) Doubling down on special nutrition drinks valued at ~Rs5bn. 3) Geographical expansion of Boost.
- **Market makers** portfolio is currently ~Rs70bn and growing in strong double digit. Market makers portfolio saw double digit growth in 4Q.
- **Channel:** Q-comm is ~2% of the business and 1/3rd of E-comm channel. Organized trade margins are better than General Trade because of premium portfolio mix. Currently the E-commerce contribution is 7-8% of the business which is expected to be 15% in the future.
- **Receivable days:** 400bps increase in weighted value distribution led to increase in receivable days. The management expects NWC to remain negative.
- **Others:** (1) Excluding Prior period items, the Effective Tax Rate is 26.7% for FY25. (2) Demerger of Ice cream is on track and will be completed by FY26. (3) The trend of shift towards small packs is now moderating. Large packs have growing now

Exhibit 4: Underlying Volume Growth (UVG) for the quarter was 2, higher than our estimate of 0.5% growth



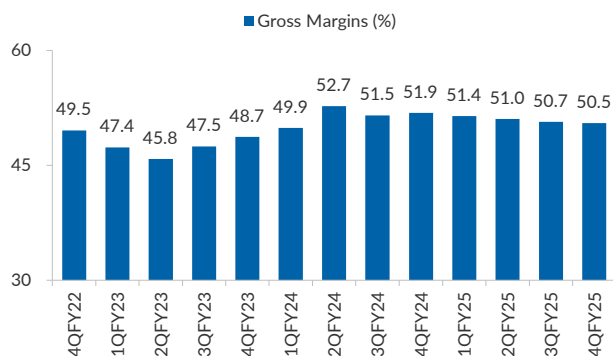
Source: Company, YES Sec

Exhibit 5: This along with ~0.4% imputed price growth led to 2.4% YoY revenue growth



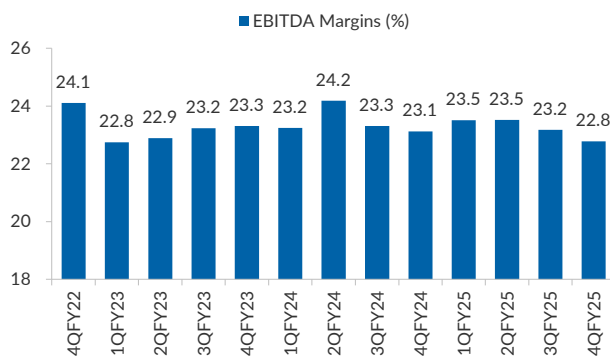
Source: Company, YES Sec

Exhibit 6: Gross margin came in-line with our estimate at 50.5% (-140bps YoY and -20bps QoQ)



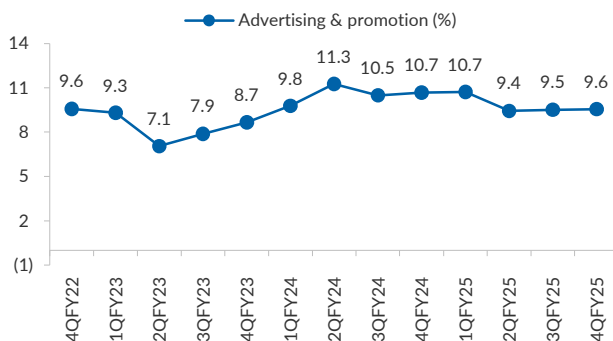
Source: Company, YES Sec; *Margins calculated on revenues not sales

Exhibit 7: EBITDA margin was down 30bps YoY to 22.8%



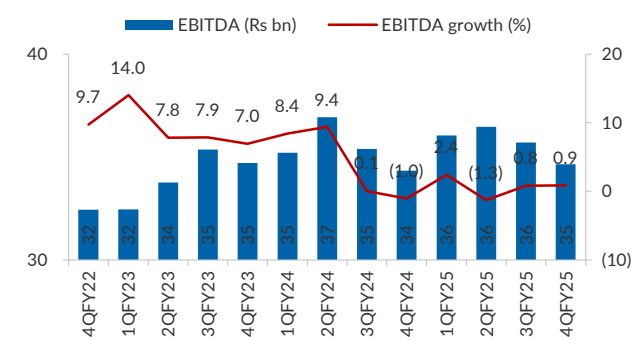
Source: Company, YES Sec; *Margins calculated on revenues not sales

Exhibit 8: A&P investments down by 110bps YoY



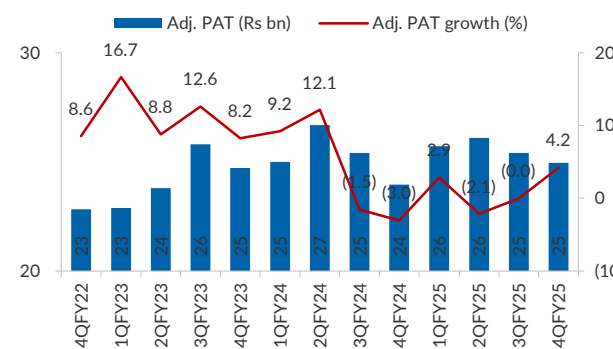
Source: Company, YES Sec

Exhibit 9: EBITDA was flattish YoY in 4QFY25



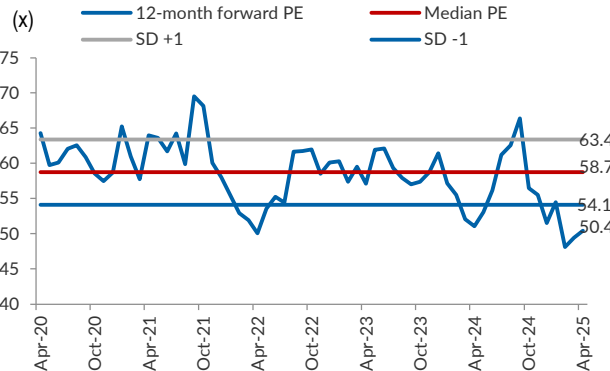
Source: Company, YES Sec

Exhibit 10: Recurring PAT was up 4.2% YoY in 4QFY25



Source: Company, YES Sec

Exhibit 11: Currently trading at ~50x on 1-yr fwd. earnings



Source: Company, YES Sec

ANNUAL FINANCIALS

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	2,350	2,350	2,350	2,350	2,350
Reserves	499,860	507,380	489,180	489,576	489,332
Net worth	502,210	509,730	557,360	557,756	557,512
Deferred charges	0	0	0	0	0
Total liabilities	63,250	64,540	65,830	65,830	65,830
Gross block	565,460	574,270	557,360	557,756	557,512
Depreciation	137,547	158,407	175,967	185,967	193,967
Net block	(75,657)	(86,627)	(98,867)	(111,897)	(125,574)
CWIP	61,890	71,780	77,100	74,070	68,393
Goodwill & other intangibles	10,200	9,150	9,560	10,060	10,560
Investments	37,940	54,930	46,020	53,020	60,020
Inventories	40,310	38,120	41,610	44,592	47,841
Debtors	27,350	26,900	34,500	35,429	38,010
Cash	44,220	72,160	72,930	77,184	78,288
Other current assets	44,180	45,710	49,440	53,213	57,434
Total current assets	156,060	182,890	198,480	210,418	221,573
Creditors	93,910	101,480	109,980	120,731	128,103
Other current liabilities & provisions	58,880	95,010	115,790	121,052	126,902
Total current liabilities	152,790	196,490	225,770	241,782	255,004
Net current assets	3,270	(13,600)	(27,290)	(31,364)	(33,431)
Total assets	565,460	574,270	557,360	557,756	557,512

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	591,440	604,690	614,690	654,464	702,093
% Growth	15.5	2.2	1.7	6.5	7.3
COGS	311,440	293,270	301,760	324,149	340,396
Staff costs	26,650	27,820	28,400	29,508	31,512
Advertising costs	48,590	63,800	60,280	65,305	72,838
Other expenses	68,440	77,900	81,360	86,075	92,039
Total expenses	455,120	462,790	471,800	505,037	536,785
EBITDA	136,320	141,900	142,890	149,427	165,308
% growth	9.0	4.1	0.7	4.6	10.6
EBITDA margin (%)	23.0	23.5	23.2	22.8	23.5
Other income	6,400	9,730	11,770	11,816	12,688
Interest costs	1,010	3,020	3,640	3,165	2,848
Depreciation	10,300	10,970	12,240	13,030	13,678
Profit before tax	131,410	137,640	138,780	145,049	161,471
Exceptional items	-620	-890	4,220	0	0

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Tax	29,220	34,460	35,250	36,552	40,691
Reported PAT	99,620	101,140	106,440	107,336	119,488
Adj. PAT	97,200	101,050	102,200	107,336	119,488
PAT margin (%)	16.4	16.7	16.6	16.4	17.0
% Growth	11.4	4.0	1.1	5.0	11.3

Source: Company, YES Sec; *Margins calculated on revenues, not sales

Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Operating profit (before Tax)	130,790	136,750	138,780	145,049	161,471
Depreciation	10,450	10,970	12,240	13,030	13,678
Other income	6,400	9,730	11,770	11,816	12,688
(Inc.)/dec. in working capital	(8,630)	11,360	14,460	8,328	3,171
Cash flow from operations	96,260	148,840	122,100	121,204	127,789
Capital expenditure (-)	(8,610)	(12,980)	(17,970)	(10,500)	(8,500)
Net cash after capex	87,650	135,860	104,130	110,704	119,289
Dividends paid (-)	(84,590)	(93,980)	(124,550)	(108,100)	(121,025)
Inc./(dec.) in investments	7,320	(14,460)	8,910	(7,000)	(7,000)
Cash from financial activities	(89,660)	(98,900)	(121,552)	(105,102)	(118,027)
Opening cash balance	36,180	44,220	72,160	72,930	77,185
Closing cash balance	44,220	72,160	72,930	77,185	78,288
Change in cash balance	8,040	27,940	770	4,255	1,104

Source: Company, YES Sec

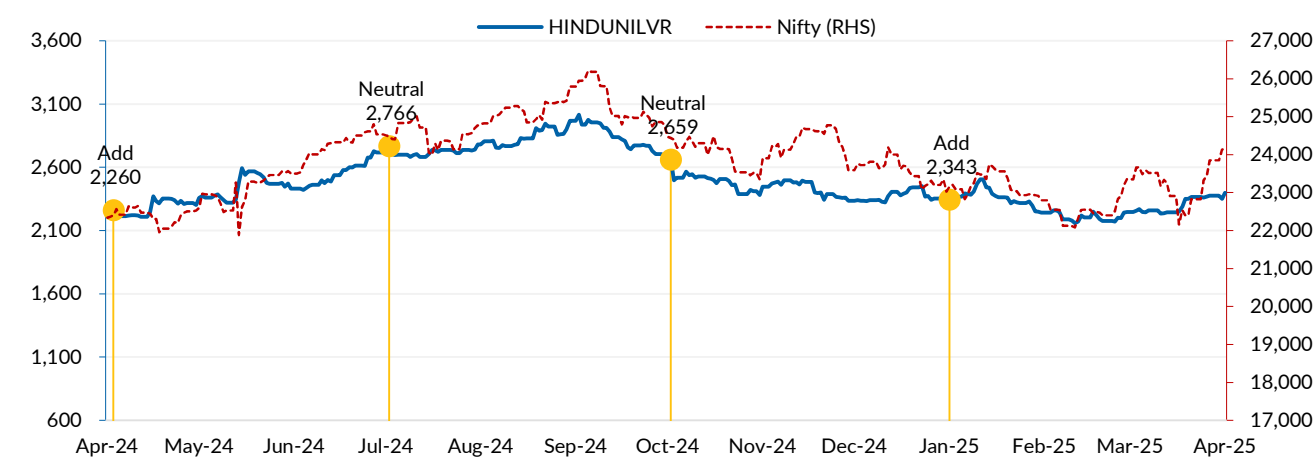
Exhibit 15: Ratio

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	41.4	43.0	43.5	45.7	50.8
Book value	213.7	216.9	209.2	209.3	209.2
DPS	39.0	42.0	53.0	46.0	51.5
Valuation (x)					
EV/sales	9.3	9.0	8.9	8.3	7.8
EV/EBITDA	39.7	37.9	37.7	36.0	32.5
P/E	56.2	54.1	53.5	50.9	45.7
P/BV	10.9	10.7	11.1	11.1	11.1
Return ratios (%)					
RoCE*	26.8	27.8	28.4	30.1	33.4
RoE	19.6	20.0	20.4	21.8	24.3
RoIC*	26.5	28.6	30.0	32.0	35.7
Profitability ratios (%)					
Gross margin	47.3	51.5	50.9	50.5	51.5
EBITDA margin	23.0	23.5	23.2	22.8	23.5
EBIT margin	21.3	21.7	21.3	20.8	21.6

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
PAT margin	16.4	16.7	16.6	16.4	17.0
Liquidity ratios (%)					
Current ratio	1.0	0.9	0.9	0.9	0.9
Quick ratio	0.8	0.7	0.7	0.7	0.7
Turnover ratios					
Total asset turnover ratio (x)	1.0	1.1	1.1	1.2	1.3
Fixed asset turnover ratio (x)	9.6	8.4	8.0	8.8	10.3
Debtor days	14	16	18	20	19
Inventory days	46	49	48	49	50
Creditor days	107	122	128	130	133

Source: Company, YES Sec; Note: *Pre-tax and on average basis

Recommendation Tracker



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