

Quick Insight Report Date	Report Price (₹)	Buy Range (₹)	Target Price (₹)
24-July-23	2,604.0	2620 – 2670	3060 – 3080



Hindustan Unilever Limited

Q2FY24 Highlights

- Consolidated revenues grew to ₹15,340 crs by 3.1% YoY with underlying volume growth of 2% YoY. The growth was purely led by urban while rural demand remains subdued. (Urban market volume growth: 3% and rural market volume growth: -1%)
- The company declared an interim dividend of ₹18/- per equity share of face value of ₹1/- each for the financial year ending 31st March, 2024.
- EBITDA margin at 24.6% was up 130 bps YoY. Profit after Tax before exceptional items (PAT bei) grew 12% and Profit after Tax (PAT) grew 4% YoY.
- In the quarter, there was a one-off credit from favourable resolution of past indirect tax litigation benefiting both top line and bottom-line. Excluding this one-off, EBITDA margin, PAT (bei) growth would have been 23.8% and 7% respectively.

Concall Highlights

- FMCG demand is likely to continue a gradual recovery with tailwinds from the upcoming festive season, sustained buoyancy of services and Government's thrust on capex.
- Gross Margin and A&P investments increased 700 bps and 420 bps respectively vs SQ'22 driven by softening of RM inflation. EBITDA margin at 24.6% was up 130 bps YoY. PAT at ₹2,717 crs grew 4% YoY. PAT (bei) grew 12% YoY. The difference in PAT (bei) and PAT growths is largely due to higher prior period tax credits in SQ'22.
- **Home Care (35% of revenue):** grew 3% with mid-single digit UVG. Fabric Wash had mid-single digit volume growth with the premium portfolio continuing to outperform. Household care volumes grew in high single digit led by Dish wash. Further price reductions were taken in both Fabric Wash and Household Care. Brand and marketing investments were stepped-up to protect competitive position. During the quarter, Vim Pure range with plant-based actives and Comfort Intense Fabric Conditioner were launched.
- **Beauty & personal Care (38% of revenue):** grew 4% with mid-single digit UVG. Skin Cleansing had a low-single digit volume growth with Lux and Hamam continuing to outperform. Revenue declined as further price reductions were taken in soaps. Skin Care and Colour Cosmetics grew double-digit driven by focused interventions in new demand spaces and channels of the future. Hair Care delivered high-single digit growth with Clinic Plus and Indulekha continuing to outperform. Oral Care grew mid-single digit led by Closeup. Key launches in this quarter include new range of Vaseline moisturizers, Lakme serums and cosmetics, Pond's serum, Indulekha Anti-Dandruff Oil and Shampoo.
- **Foods & Refreshment (25% of revenue):** grew 4%. Tea delivered a modest growth as the category continued to witness consumers downgrading. Coffee grew in double-digits. HFD delivered mid-single digit price led growth, broad-based across the portfolio. Foods and Ice Cream both grew in mid-single digit on a high base. Foods Solutions, Mayonnaise and Peanut Butter continue to clock strong growths. During the quarter, Horlicks Strength Plus, Slow Churn Ice Cream and new blends of Lipton Green Tea were launched.
- Margins in the home care segment stood at 18.7% (+145bps YoY), personal care stood at 27.2% (+211bps YoY) and Foods & Refreshments was 18.7% (-112bps YoY).

Important Data

Nifty	19,486
Sensex	65,249
CMP (₹)	2,495
Market Cap (₹ Cr)	5,86,225
52W High/Low	2,768/2,393
Shares o/s (crs)	234.96
BSE Code	500696
NSE Code	HINDUNILVR
Bloomberg Code	HUVR:IN

Shareholding Pattern (%) – Sep'23

Promoter	61.90
FII	14.48
DII	11.55
Public & Others	12.07

Financials

Particulars	FY21	FY22	FY23
Revenues	47,028	52,446	60,580
YoY Growth	18%	12%	16%
EBITDA	11,626	12,857	14,148
EBITDA Margin	25%	25%	23%
PAT	7,999	8,892	10,143
PAT Margin	17%	17%	17%
EPS	34.03	37.79	43.07
PE	73.32	66.02	57.93

Source: Company, Way2Wealth

Relative performance

Return (%)	1 Yr	3Yr	5 Yr
HUL	-6.0%	5.0%	9.0%
Nifty 50	10.8%	63.2%	91.9%
Sensex	9.9%	60.3%	92.7%

Ashwini Sonawane

ashwinisonawane@way2wealth.com

91-22-4019 2913

- Advertisement spends are likely to remain firm in the near term, given the competitive intensity and brand building. Advertisement spends were at 11.4% of revenues compared with 7.2% in the Sept'22 quarter and 10% in the June'23 quarter. The Sept'23 quarter has seen one of the highest media spends by the company.
- Competitive intensity remains high in tea and detergent bar segment. Downgrading in tea category was due to commodity inflation and decoupling of loose tea which is plain tea and premium tea

Market Value Growth (YoY) Aug'23	Tea	Detergent Bars
Large Players	x	Y
Small players	1.4x	6Y

Risk

- Slower recovery in demand
- Inflationary raw material prices

VIEW

The growth was led by the urban market, which saw a 3% growth in Sept'23 on a 2-year CAGR basis and rural market saw a 1% decline. FMCG demand is likely to continue a gradual recovery with tailwinds from the upcoming festive season, sustained buoyancy of services and Government's thrust on capex.

Strong product profile, leadership positioning in key categories and extensive distribution reach will enable HUL to achieve faster recovery compared to peers in the event of demand recovery and stable raw material prices. Overall margins are likely to pick up going ahead on the back of benign raw material prices.

Premiumization across products categories, innovation-led new product launches, recovery in consumer demand, and cost saving programs are the key building blocks for future growth and commands a premium over its peer.

We remain positive on the stock and Investors should use the current consolidation in the stock price to accumulate for moderate return.

Consolidated Financials

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
Sale of Products	15,340.0	14,872.0	3.1%	15,240.0	0.7%	30,580.0	29,203.0	4.7%
Sale of Services	24.0	24.0		27.0		51.0	50.0	
Other Operating Income	259.0	248.0	4.4%	229.0	13.1%	488.0	515.0	-5.2%
	15,623.0	15,144.0	3.2%	15,496.0	0.8%	31,119.0	29,768.0	4.5%
Other Income	183.0	109.0	67.9%	183.0	0.0%	366.0	242.0	51.2%
TOTAL INCOME	15,806.0	15,253.0	3.6%	15,679.0	0.8%	31,485.0	30,010.0	4.9%
Cost Of Materials Consumed	4,799.0	5,436.0	-11.7%	4,820.0	-0.4%	9,619.0	10,304.0	-6.6%
Purchase of stock in trade	2,636.0	3,100.0	-15.0%	2,643.0	-0.3%	5,279.0	6,040.0	-12.6%
Stock Adjustment	(90.0)	(339.0)	-73.5%	216.0	-141.7%	126.0	(483.0)	-126.1%
<i>RMC as a %age of sales</i>	<i>47.1%</i>	<i>54.2%</i>		<i>49.6%</i>		<i>48.4%</i>	<i>53.4%</i>	
Employee Benefit Expenses	766.0	758.0	1.1%	705.0	8.7%	1,471.0	1,394.0	5.5%
<i>EPC as a %age of sales</i>	<i>4.9%</i>	<i>5.0%</i>		<i>4.6%</i>		<i>4.7%</i>	<i>4.7%</i>	
Advertisement & Promotion	1,742.0	1,053.0	65.4%	1,505.0	15.7%	3,247.0	2,387.0	36.0%
<i>Advertisement Expenses as a %age of sales</i>	<i>11.2%</i>	<i>7.0%</i>		<i>9.7%</i>		<i>10.5%</i>	<i>8.0%</i>	
Other Expenses	1,973.0	1,657.0	19.1%	1,942.0	1.6%	3,915.0	3,245.0	20.6%
<i>Other Expenses as a %age of sales</i>	<i>12.6%</i>	<i>11.0%</i>		<i>12.6%</i>		<i>12.6%</i>	<i>10.9%</i>	
TOTAL EXPENDITURE	11,826.0	11,665.0	1.4%	11,831.0	0.0%	23,657.0	22,887.0	3.4%
EBIDTA	3,797.0	3,479.0	9.1%	3,665.0	3.6%	7,462.0	6,881.0	8.4%
<i>EBIDTA Margins %</i>	<i>24.3%</i>	<i>23.0%</i>		<i>23.7%</i>		<i>24.0%</i>	<i>23.2%</i>	
Finance Costs	88.0	28.0	214.3%	50.0	76.0%	138.0	56.0	146.4%
PBDT	3,892.0	3,560.0	9.3%	3,798.0	2.5%	7,690.0	7,067.0	8.8%
Depreciation	297.0	272.0	9.2%	286.0	3.8%	583.0	553.0	5.4%
PBT before exceptional items	3,595.0	3,288.0	9.3%	3,512.0	2.4%	7,107.0	6,514.0	9.1%
Exceptional items	(7.0)	(29.0)	-75.9%	(38.0)	-81.6%	(45.0)	(41.0)	9.8%
PBT	3,588.0	3,259.0	10.1%	3,474.0	3.3%	7,062.0	6,473.0	9.1%
Tax	931.0	589.0	58.1%	918.0	1.4%	1,849.0	1,412.0	30.9%
<i>Tax Rate</i>	<i>25.9%</i>	<i>18.1%</i>		<i>26.4%</i>		<i>26.2%</i>	<i>21.8%</i>	
Reported Profit After Tax from Continuing Operation	2,657.0	2,670.0	-0.5%	2,556.0	4.0%	5,213.0	5,061.0	3.0%
<i>PATM %</i>	<i>17.0%</i>	<i>17.7%</i>		<i>16.5%</i>		<i>16.8%</i>	<i>17.0%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	5.0	(53.0)		12.0		17.0	(18.0)	
Total Comprehensive Income (13+14)	2,662.0	2,617.0	1.7%	2,568.0	3.7%	5,230.0	5,043.0	3.7%
Basic:								
EPS	11.3	11.4	-0.5%	10.9	4.0%	22.2	21.5	3.0%
Equity	235.0	235.0		235.0		235.0	235.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2Wealth

(₹ Cr)

Particulars	Q2FY24	Q2Y23	VAR [%]	Q1FY24	VAR [%]	H1FY24	H2FY24	VAR [%]
REVENUES								
Revenue from Operations	15,623.0	15,144.0	3.2%	15,496.0	0.8%	31,119.0	29,768.0	4.5%
Home Care	5,308.0	5,142.0	3.23%	5,421.0	-2.1%	10,729.0	10,072.0	6.52%
Mix %	34.0%	34.0%		35.0%		34.5%	33.8%	
Personal Care	5,873.0	5,595.0	5.0%	5,668.0	3.6%	11,541.0	11,001.0	4.9%
Mix %	37.6%	36.9%		36.6%		37.1%	37.0%	
Foods & Refreshments	3,851.0	3,755.0	2.6%	3,797.0	1.4%	7,648.0	7,382.0	3.6%
Mix %	24.6%	24.8%		24.5%		24.6%	24.8%	
Refreshments			-		-	0.0	0.0	-
Mix %	0.0%	0.0%		0.0%		0.0%	0.0%	
Others	591.0	652.0	-9.4%	610.0	-3.1%	1,201.0	1,313.0	-8.5%
Mix %	11.1%	12.7%		11.3%		11.2%	13.0%	
Net Revenue from Operations	15,623.0	15,144.0	3.2%	15,496.0	0.8%	31,119.0	29,768.0	4.5%
PROFIT								
Profit/Loss Before Interest and Tax	3,500.0	3,207.0	9.1%	3,379.0	3.6%	6,879.0	6,328.0	8.7%
Margin %	22.4%	21.2%		21.8%		22.1%	21.3%	
Home Care	1,014.0	885.0	14.6%	1,013.0	0.1%	2,027.0	1,750.0	15.8%
Margin %	19.1%	17.2%		18.7%		18.9%	17.4%	
Personal Care	1,582.0	1,407.0	12.4%	1,472.0	7.5%	3,054.0	2,834.0	7.8%
Margin %	26.9%	25.1%		26.0%		26.5%	25.8%	
Foods & Refreshments	720.0	744.0	-3.2%	681.0	5.7%	1,401.0	1,322.0	6.0%
Margin %	18.7%	19.8%		17.9%		18.3%	17.9%	
Refreshments			-		-	0.0	0.0	-
Margin %	-	-		-		-	-	
Others	184.0	171.0	7.6%	213.0	-13.6%	397.0	422.0	-5.9%
Margin %	31.1%	26.2%		34.9%		33.1%	32.1%	
Less : Interest	88.0	28.0	214.3%	50.0	76.0%	138.0	56.0	146.4%
Other Un-allocable Expenditure	2.0	29.0		38.0		45.0	41.0	
Add : Other Un-allocable Income	183.0	109.0	67.9%	183.0	0.0%	366.0	242.0	51.2%
Extra-Ordinary Income/Expense	5.0					0.0	0.0	
Net Profit/Loss Before Tax	3,588.0	3,259.0	10.1%	3,474.0	3.3%	7,062.0	6,473.0	9.1%

Source: Company, Way2Wealth

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Name of the Security	HINDUSTAN UNILEVER LTD
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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