

### Analyst Meet Takeaways – Maintain BUY

In the analyst meet, the management reiterated its key growth strategies, which include growing the core, premiumising the portfolio, driving market development by investing in future categories, and strengthening leadership in emerging channels. The company has maintained a strong leadership position across 85% of its portfolio and achieved a 200 bps market share gain between Mar-21 and Oct-24.

Over the past decade (FY14-24), revenue grew at approximately 8% CAGR, despite disruptions such as GST implementation, COVID-19, and inflation. However, EBITDA recorded a stronger growth of 12% CAGR, driven by rapid premiumisation and cost-saving initiatives. At the company level, the premium portfolio (120+ price index) accounts for 33% of the overall portfolio.

#### Key Points:

**Growth prioritization as per portfolio segmentation:** Core portfolio (50% of sales – LUPs, Mass) is likely to grow at a 1x market rate; Future core includes brands that are at the sweet spot of premiumisation and are expected to grow at 1.25x the market rate (10 brands with Rs 1,000 Cr+ turnover); Market makers (premium face, hair, body wash, homecare liquids, condiments & mini meals, prestige & wellbeing) represent six long-term bets with a Rs 7,000 Cr portfolio, likely to grow at 1.5x the market rate. Together, the future core and market makers are expected to contribute 80% of the delta.

**Near-term demand/margin challenges:** On a cautionary note, the demand environment continues to remain challenging, with urban markets continuing to show weakness. Key raw materials (palm and tea) remain under inflationary pressure, and the company is likely to undertake low to mid-single-digit price hikes in its soaps and tea portfolio in H2FY25. It expects moderate margin expansion over the mid to long-term.

**Other key pointers:** 1) 19 brands generate a turnover of over Rs 1000 Cr (Surf Excel to reach Rs 10,000 Cr by end of FY25); 2) Total reach stands at 9 Mn+ outlets (3 Mn direct reach), direct weighted distribution stands at 65% (vs 56% in FY22) while it targets 70% by FY27; 3) Digital media contribution stood at 40% (up 3x from FY22); 4) Introduced renewed WIMI 2.0 which now captured affluent agglomerations across various 16 socio-economic clusters (WIMI was originally introduced in 2014 to classify India into 16 clusters vs. five traditional clusters)

**Current TP: 2920/share; Previous TP: No change**

**Current Valuation: 55xDec-26EPS**

**Recommendation:** HUL long-term outlook remains positive and with a 18% upside potential from CMP we maintain a BUY rating on the stock.

#### Outlook

- Management anticipates an improvement in demand in the coming quarters, while EBITDA margins are expected to remain at current levels. However, HUL's long-term growth prospects remain strong as management focuses on the following initiatives:
- Promoting a diversified portfolio and leveraging the price-value matrix to drive premiumisation;
- Continued emphasis on efficiency improvements, including nano factories, automation, and scaling Shikar to 1.4 Mn outlets, aimed at driving overall cost-saving initiatives;
- Market development efforts to gain market share across the portfolio; and
- Leveraging strong execution capabilities, showcasing the company's resilience and strength through its diverse product portfolio and financial stability in a volatile and challenging environment.

#### Valuation & Recommendation

We expect HUL's Sales/EBITDA/PAT to grow at 7%/8%/8% CAGR over FY24-27E. We **maintain our BUY rating on the stock** with a revised TP of Rs 2,920/share, with an upside of 18% from the CMP.

#### Key Financials (Standalone)

Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	PER (x)	RoE (%)	RoCE (%)
59,579	14,190	10,114	43	55.1	20	16.6
62,594	14,867	10,660	45.4	52.7	20.8	16.9
67,701	16,271	11,645	49.6	48.3	22.4	18.2
73,226	17,832	12,743	54.2	44.1	23.9	19.6

Source: Company, Axis Research

#### Key Risks to Our Estimates and TP

- Increase in competitive intensity, RM inflation, and weakening of demand environment

(CMP as of 2<sup>nd</sup> Dec 2024)

CMP (Rs)	2,479
Upside /Downside (%)	18%
High/Low (Rs)	3,034 / 2,170
Market cap (Cr)	58,6516
Avg. daily vol. (6m) Shrs.	2120
No. of shares (Cr)	234

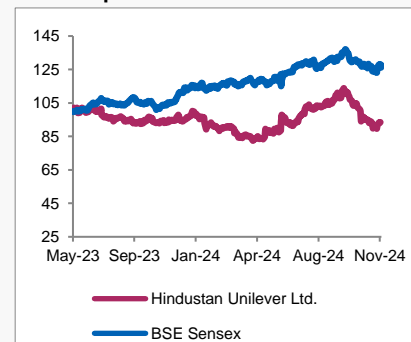
#### Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	61.9	61.9	61.9
FII's	12.7	11.9	12.2
MFs / UTI	5.0	5.6	5.8
FIIs/Banks	0.1	0.0	0.0
Others	20.4	20.6	20.1

#### Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	62,594	67,701	73,226
EBITDA	14,867	16,271	17,832
Net Profit	10,660	11,645	12,743
EPS, Rs	45.4	49.6	54.2
PER, x	52.7	48.3	44.1
EV/EBITDA, x	37.0	33.7	30.6
ROE (%)	20.8	22.4	23.9

#### Relative performance



Source: AceEquity, Axis Securities

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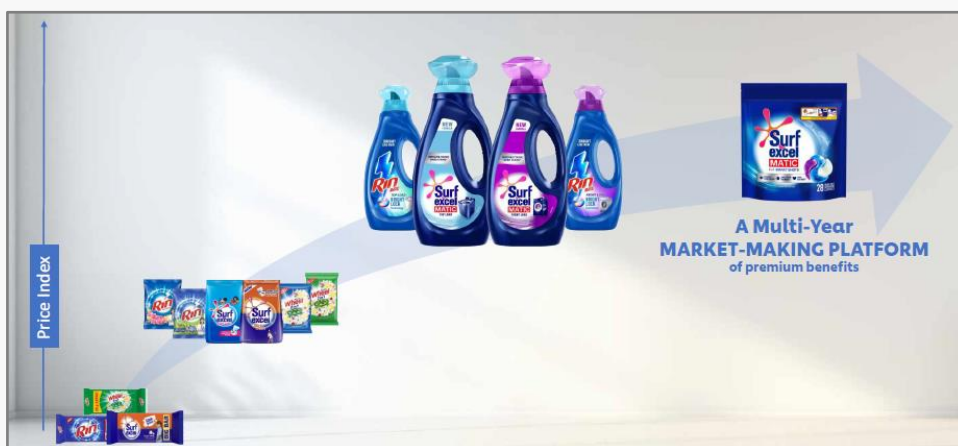
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**Distribution:** The company's total reach stands at over 9 Mn outlets, with 3 Mn being a direct reach. Its direct weighted distribution has increased to 65% (up from 56% in FY22) and is targeted to reach 70% by FY27. The company operates through a network of 3,500+ distributors across 2,000+ towns. It has 1.4 Mn Shikhar stores, capturing 50% of traditional trade demand through its Shikhar B2B app. The increasing share of Shikhar has enhanced active engagement with Kirana stores by offering customized retailer-specific offers. The company has developed specialized RTMs for emerging segments: Beauty with 80,000 outlets across 90 towns, Pharma with 2 LC outlets, and Specialty Foods with 45,000 outlets. E-commerce contributes 7% to overall sales, with Ecom's contribution in the Beauty & Wellness category at 14%.

#### Home care (37% of sales)

- **Home care** revenue and EBITDA grew 3x and 10x, respectively, over FY23-24, with a 580bps gain in value market share. This growth was driven by premiumisation in Surf Excel, where revenue and penetration have grown 10x and 4x, respectively, during the same period. The liquid detergent portfolio achieved 3x revenue growth and 4x penetration growth over FY19-24. In the fabric enhancers segment, Comfort recorded 7x sales growth and 5x penetration growth over FY14-24.
- Laundry expectations are evolving among the consumers, presenting significant growth opportunities in premiumisation. Key drivers include 1) A wider wardrobe (colours and volume), 2) Higher loads in washing machines, 3) Increased convenience with formats like liquid and capsules, and 4) High stain incidence.
- India has 304 Mn households, of which 68 Mn own washing machines, and within this, only 17 Mn households currently use liquid detergents, highlighting the substantial potential for premiumisation. Liquid detergents are growing 3-4x faster than powder detergents, and the recent launch of Rin Liquid at a Rs 99 price point is expected to unlock significant growth opportunities.

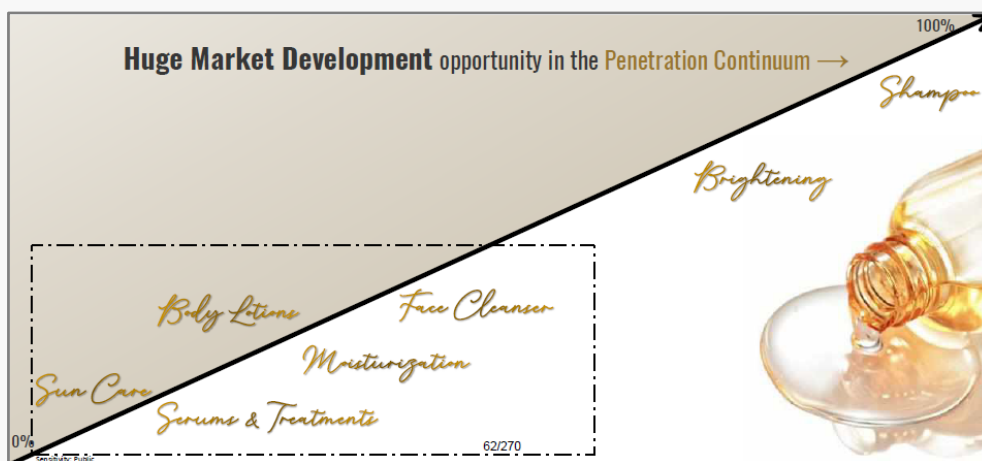


- VIM is seeing rapid premiumisation of launched products across price points/ formats. Recently, VIM has also expanded into floor cleaning. The total floor cleaners market size stands at Rs 2,000 Cr.



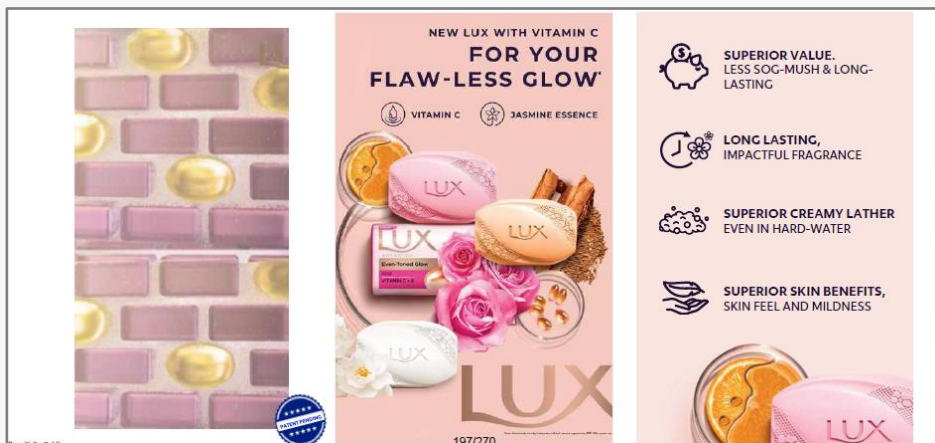
## Beauty & Wellbeing (22% of sales)

- It has a market leadership position across Skin Care (4.5x RMS), Hair Care (3x RMS), and Color Cosmetics (1.4 RMS).
- Every cohort class is seeing growth and opportunity. In Aspires (Glow and Lovely, Ponds), it is seen that customers are shifting from a one-product regime to a 3-4 product regime, while in Affluent+ there is rapid premiumization led by an increase in regimes to 6-7 products.
- The increase in social media usage is leading to rapid growth in the B&W segment. For example, 8 out of 10 brands are discovered on social media, while 2 out of 3 buying decisions are influenced through social media. To capture this trend, HUL is doubling down on its investment in digital spends and launching digital media brands (Simple, Nexxus, Novology, Liquid IV, Dermalogica).
- HUL has identified six high-growth segments in Beauty: Face Cleansing, Light Moisturizers, Serums & Treatments, Sun Care, Deseasonalized Body (e.g., Ponds communication has shifted from dark spot (single regime) to multiple regimes), and Masstige, as these segments provide huge scope due to an increase in regimes and low penetration.
- Glow & Lovely (GAL) – Currently, its penetration stands at 60% and the brand has shifted its communication from whitening to launching new products under GAL in facewash, serums, and sunscreen to increase the regime.
- Wellness – This segment holds a huge market opportunity. Currently, it focuses on hydration through the recently acquired Oziva, but in the future, wellness presents opportunities in capsules, injectables, drinks, etc.







## Personal Care (16% of sales) – Skin Cleansing, Oral Care, Deodorants

- 4 brands – Lifebuoy, Lux, Closeup, and Pears generate revenue of over Rs 1000 Cr.
- Stratos – This technology, developed by HUL over five years with 20+ patents, makes it impossible to replicate. It reduces the palm oil content by 25%, while at the same time reducing insolubility without affecting product quality. This technology is used for Pears and Dove. Skin cleansing accounts for 80% of personal care. Post-Stratos, it is seeing some green shoots in market share; however, slow market growth remains a challenge.



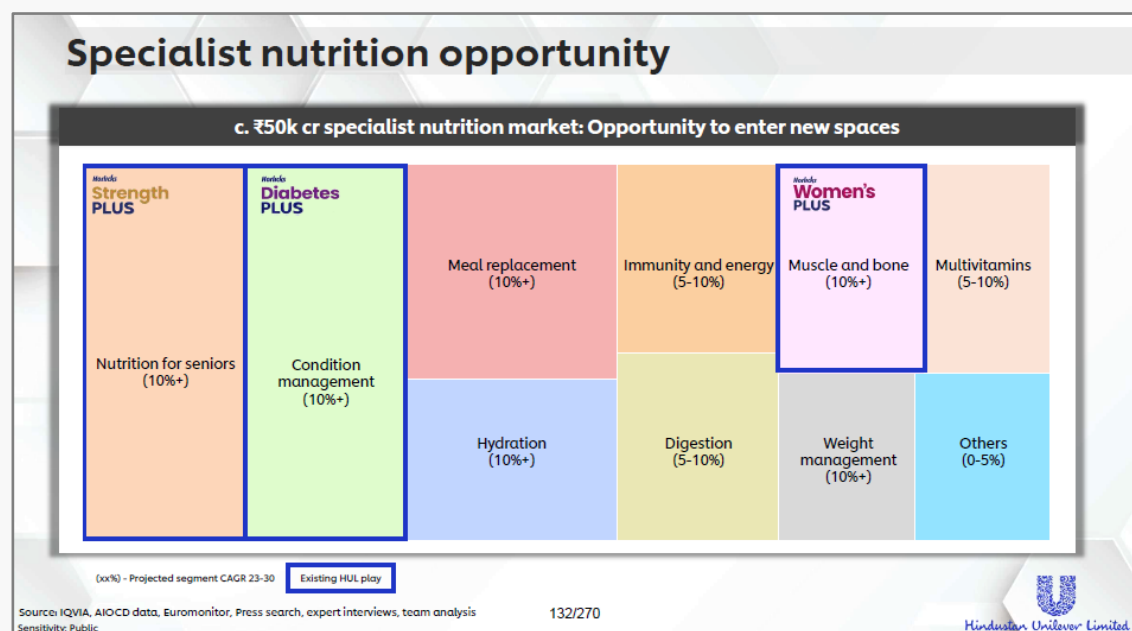
- Post the success of liquid detergent, HUL is looking to expand into body wash and roll-ons. The body wash category has grown 10x over FY13-24 and is expected to grow another 10x over FY24-30E, while roll-ons are expected to grow 10x over FY24-30E and another 10x over FY30-34E.



		Per capita spends in Personal Care PC Spends/HH/Year	HUL Share of segment in body cleansing
<b>Affluent +</b>		<b>2.2X</b>	<div>&gt;120 API</div> <div>1.2X</div> <div>&lt;120 API</div> <div>X</div>
<b>Affluent</b>		<b>1.9X</b>	
<b>Aspirer</b>		<b>1.5X</b>	
<b>Striver</b>		<b>X</b>	

## Food & Refreshments (25% of sales)

- Food and Refreshment accounts for 25% of sales and maintains its leadership position across tea, Lifestyle Nutrition, and ketchup.
- In coffee, it is the second-largest player, but in the South, it commands the leadership position. In Beverages, 25% of the tea market remains unorganised.
- HUL is leveraging WIMI to customise blends according to specific regions to capture market share. Additionally, in coffee, the market is traditionally conventional (at 50%), which provides significant headroom for premiumisation by launching more specialised products.
- In Lifestyle Nutrition, the market is predominantly present in the South and East, with the rest of India largely underpenetrated, offering a huge headroom for growth in other regions. In Horlicks, HUL is driving growth through increased consumption – LUPs and tastier offerings, while Boost, which is primarily present in South India, is now expanding into other geographies. The recently launched Boost RTD is seeing good growth.
- The total specialist nutrition market stands at Rs 50,000 Cr, and there is huge scope to enter new spaces. This category has 1.2x higher profitability compared to other categories. HUL is present in Nutrition for Seniors (10%), Condition Management (10%), and Muscle and Bone (10%) through the Horlick's Plus range. HUL intends to grow Horlicks Plus 3x by FY30.



- Mayonnaise market opportunity stands at Rs 3,000 Cr by FY30. HUL is the market leader in Mayonnaise and has scaled up by 4x over FY21-24.



## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>59,579</b>	<b>62,594</b>	<b>67,701</b>	<b>73,226</b>
Growth, %	2.5	5.1	8.2	8.2
Other operating income	890	792	800	808
Total income	60,469	63,386	68,501	74,034
Raw material expenses	(29,327)	(30,793)	(33,257)	(35,751)
Employee expenses	(2,782)	(2,921)	(3,126)	(3,344)
Other Operating expenses	(14,170)	(14,805)	(15,848)	(17,106)
<b>EBITDA (Core)</b>	<b>14,190</b>	<b>14,867</b>	<b>16,271</b>	<b>17,832</b>
Growth, %	4.1	4.8	9.4	9.6
Margin, %	23.8	23.8	24.0	24.4
Depreciation	(1,097)	(1,225)	(1,337)	(1,453)
<b>EBIT</b>	<b>13,093</b>	<b>13,642</b>	<b>14,935</b>	<b>16,379</b>
Growth, %	4	4	9	10
Margin, %	22	22	22	22
Interest paid	(302)	(347)	(365)	(383)
Other Income	973	1,119	1,175	1,234
Non-recurring Items	(89)	-	-	-
<b>Pre-tax profit</b>	<b>13,675</b>	<b>14,414</b>	<b>15,745</b>	<b>17,230</b>
Tax provided	(3,561)	(3,753)	(4,100)	(4,487)
<b>Profit after tax</b>	<b>10,114</b>	<b>10,660</b>	<b>11,645</b>	<b>12,743</b>
Growth, %	1.8	4.5	9.2	9.4
<b>Net Profit (adjusted)</b>	<b>10,114</b>	<b>10,660</b>	<b>11,645</b>	<b>12,743</b>
Unadj. shares (Cr)	235	235	235	235
Wtdavg shares (Cr)	235	235	235	235

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
Cash & bank	7,216	7,808	9,175	11,250
Marketable securities at cost	4,510	4,510	4,510	4,510
Debtors	2,690	2,826	3,057	3,306
Inventory	3,812	4,116	4,452	4,815
Other current assets	2,031	2,031	2,031	2,031
Total current assets	20,259	21,291	23,224	25,912
Investments	2	2	2	2
Gross fixed assets	57,248	58,348	59,548	60,748
Less: Depreciation	(4,869)	(6,094)	(7,430)	(8,883)
Add: Capital WIP	915	915	915	915
Net fixed assets	53,294	53,169	53,033	52,780
Non-current assets	1,422	1,422	1,422	1,422
<b>Total assets</b>	<b>77,076</b>	<b>77,984</b>	<b>79,780</b>	<b>82,215</b>
Current liabilities	12,063	12,593	13,491	14,463
Provisions	1,551	1,629	1,762	1,906
Total current liabilities	13,614	14,223	15,254	16,369
Non-current liabilities	12,489	12,489	12,489	12,489
Total liabilities	26,103	26,712	27,743	28,858
Paid-up capital	235	235	235	235
Reserves & surplus	50,738	51,037	51,802	53,122
Shareholders' equity	50,973	51,272	52,037	53,357
<b>Total equity &amp; liabilities</b>	<b>77,076</b>	<b>77,984</b>	<b>79,780</b>	<b>82,215</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
Pre-tax profit	13,675	14,414	15,745	17,230
Depreciation	1,097	1,225	1,337	1,453
Chg in working capital	4,481	169	465	503
Total tax paid	(3,432)	(3,753)	(4,100)	(4,487)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>15,821</b>	<b>12,054</b>	<b>13,446</b>	<b>14,699</b>
Capital expenditure	(1,966)	(1,100)	(1,200)	(1,200)
Chg in marketable securities	(1,699)	-	-	-
Other investing activities	0	-	-	-
<b>Cash flow from investing activities</b>	<b>(3,665)</b>	<b>(1,100)</b>	<b>(1,200)</b>	<b>(1,200)</b>
Free cash flow	12,156	10,954	12,246	13,499
Equity raised/(repaid)	9	-	-	-
Dividend (incl. tax)	(9,868)	(10,361)	(10,879)	(11,423)
Other financing activities	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(9,859)</b>	<b>(10,361)</b>	<b>(10,879)</b>	<b>(11,423)</b>
Net chg in cash	2,297	592	1,367	2,076
Opening cash balance	4,422	7,216	7,808	9,175
Closing cash balance	7,216	7,808	9,175	11,250

Source: Company, Axis Securities

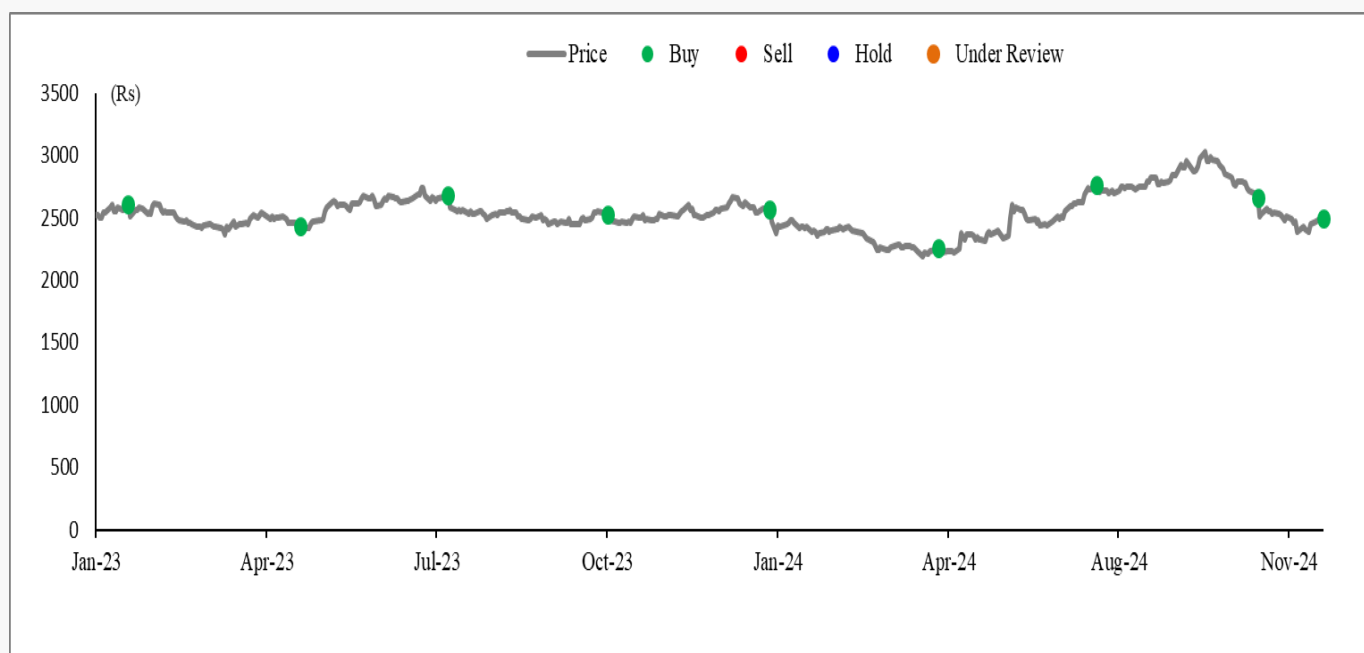
**Ratio Analysis**

(%)

Y/E Mar, Rs Cr	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	43.0	45.4	49.6	54.2
Growth, %	1.8	4.5	9.2	9.4
Book NAV/share (INR)	216.9	218.2	221.4	227.1
FDEPS (INR)	43.4	45.4	49.6	54.2
CEPS (INR)	48.5	50.6	55.2	60.4
CFPS (INR)	63.8	46.5	52.2	57.3
DPS (INR)	42.0	44.1	46.3	48.6
<b>Return ratios</b>				
Return on assets (%)	14.0	14.2	15.2	16.2
Return on equity (%)	20.0	20.8	22.4	23.9
Return on capital employed (%)	16.6	16.9	18.2	19.6
<b>Turnover ratios</b>				
Asset turnover (x)	1.3	1.4	1.5	1.7
Sales/Total assets (x)	0.8	0.8	0.9	0.9
Sales/Net FA (x)	1.1	1.2	1.3	1.4
Working capital/Sales (x)	(0.1)	(0.1)	(0.1)	(0.1)
Receivable days	16.5	16.5	16.5	16.5
Inventory days	23.4	24.0	24.0	24.0
Payable days	80.0	80.2	80.6	81.0
Working capital days	(21.6)	(21.1)	(21.3)	(21.5)
<b>Liquidity ratios</b>				
Current ratio (x)	1.7	1.7	1.7	1.8
Quick ratio (x)	1.4	1.4	1.4	1.5
Interest cover (x)	43.4	39.3	41.0	42.8
<b>Valuation</b>				
PER (x)	55.1	52.7	48.3	44.1
PEG (x) - y-o-y growth	30.8	11.8	5.2	4.7
Price/Book (x)	11.0	11.0	10.8	10.5
EV/Net sales (x)	9.2	8.8	8.1	7.5
EV/EBITDA (x)	38.8	37.0	33.7	30.6
EV/EBIT (x)	42.0	40.3	36.7	33.3

Source: Company, Axis Securities

## Hindustan Unilever Price Chart and Recommendation History



Date	Reco	TP	Research
20-Jan-23	BUY	3,000	Result Update
28-Apr-23	BUY	2,800	Result Update
21-Jul-23	BUY	2,960	Result Update
20-Oct-23	BUY	2,900	Result Update
20-Jan-24	BUY	2,850	Result Update
25-Apr-24	BUY	2,500	Result Update
24-Jul-24	BUY	3,030	Result Update
24-Oct-24	BUY	2,920	Result Update
02-Dec-24	BUY	2,920	Company Update

Source: Axis Securities Research



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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.