

21st September, 2023

Hindustan Unilever Ltd.

BSE: 500696 | NSE: HINDUNILVR



Recommendation
BUY



Time Period
12 months



Current Price
2,460.0/-



Target Price
2,829.0/-



Potential Upside
15.0%

Hindustan Unilever Ltd (HUL) is the largest FMCG company in India with more than 50 brands across business comprising primarily of Home Care, Beauty & Personal Care and Foods & Refreshment segments. The company has a distribution reach of ~9.0 million retail outlets and has manufacturing facilities across the country. 9 out of every 10 households in India uses products sold by HUL which indicates a very strong consumer penetration.

Five reasons to buy:

- ★ **Diversified product base with solid brands:** The company has 50 brands spanning 14 distinct categories such as fabric solutions, home & hygiene, life essentials, skin cleansing, skin care, hair care, colour cosmetics, oral care, deodorants, tea, coffee, ice cream & frozen desserts, foods, and health food drinks. These products are backed by solid brands such as Lux, Lifebuoy, Surf excel, Rin, Wheel, Glow & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's, Horlicks and Pureit.
- ★ **Strong reach:** The company has a distribution reach of ~9 mn outlets with a >3,500 distributors. The company has partnered with 1,300 trusted suppliers to source raw material and is backed by a countrywide network of logistics warehouses ultimately delivering products to millions of retail outlets.
- ★ **Market share gains led healthy 1QFY24 numbers:** HUL's revenues grew 6.0% YoY to Rs 15,496 cr during 1QFY24 with an underlying volume growth of 3%. EBITDA and PAT recorded growth of 7.7%/6.9% YoY to Rs 3,665/2,556 cr respectively. Market share gains in over 75% of the portfolio and consistent growth in the premium portfolio helped in posting resilient volume growth during the quarter. Gross margins were up 140 bps QoQ even after passing on the benefit of drop in input costs to consumers via price cuts.
- ★ **Outlook going forward:** The company is focusing to step-up its A&P investments. The A&P investments increased to 9.9% of sales in 1QFY24 vs. 8.8%/9.5% in 4QFY23/1QFY23 respectively. Price growth is expected to be flattish or negative in the coming quarters. Growth in coming quarters will mostly be volume led rather than price led. Competition is likely to go up as company is witnessing resurgence of small players in some categories. The company would focus more on sustaining volume growth.
- ★ **Attractive valuation:** At current price, HUL is trading at FY24E/FY25E P/E multiple of 52.1x/46.0x respectively which looks fairly valued.

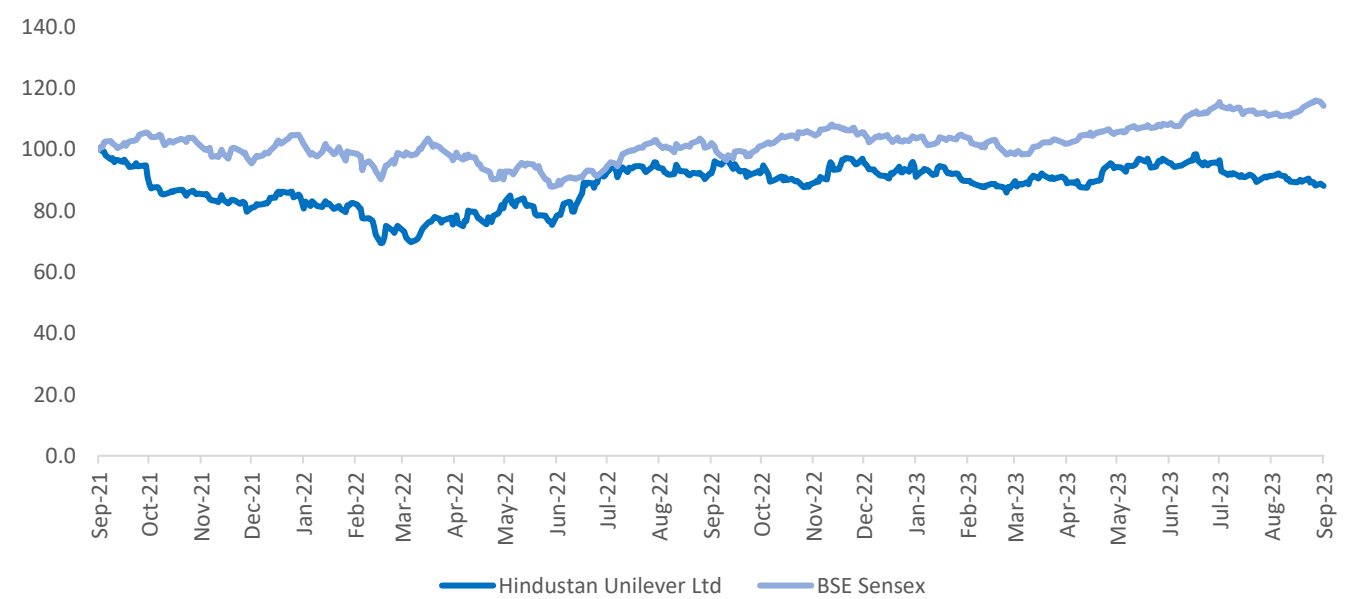
Key Risks: Rising inflation, rise in raw material prices such as palm oil, crude derivatives

Financial Summary

Particulars (Rs cr)	FY22A	FY23A	FY24E	FY25E
Net Sales	52,446.0	60,580.0	60,607.0	71,417.9
EBITDA	12,813.0	14,083.0	15,726.8	17,712.8
Adj. Net Profit	8,906.9	10,169.7	11,100.4	12,553.4
EBITDA Margin (%)	24.4	23.2	25.9	24.8
RoE (%)	18.4	20.5	21.4	24.0
P/E (x)	64.9	56.8	52.1	46.0
P/BV (x)	11.8	11.5	10.8	10.4

Source: Bloomberg, SSL Research

Stock Performance (2-Years)



Source: Capitaline, SSL Research

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
16 th March, 2023	2,443.0	2,687.0	Buy	Booked at 2,668

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485

SEBI Registration No.: Stock Broker: INZ000200032 | DP Registration No.: IN-DP-314-2017 | Research Analyst : INH000000602

Portfolio Manager: INP000004912 | IRDA : CA0103 | PFRDA Registration No: POP 26092018

Registered & Corporate Office: Marathon Futurex, Unit No. 1201, B-Wing, 12th Floor, N M Joshi Marg, Mafatlal Mill Compound, Lower Parel East, Mumbai 400013

For any information contact us:

(022) 6854 5555 | E-mail: helpdesk@sbicapsec.com | Web: www.sbisecurities.in**DISCLOSURES & DISCLAIMERS:**

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Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Harsh Vasa	C.A.	Research Analyst - Equity Fundamentals
Sumeet Shah	B.E., CFA	Research Analyst - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Pratik Patni	BSc (Biotech Entire)	Research Analyst- Equity Derivatives
Ghanshyam Gupta	MBA (Finance)	Research Analyst- Currency Derivatives
Sagar Peswani	B.Tech (ECE)	Research Analyst - Equity Technicals
Kalpesh Mangade	B.Com	MIS Analyst - Retail Research

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