



TM

24 April 2025

Hindustan Unilever

Growth imperative impacts near-term margins

RESULT UPDATE

Sector: FMCG Rating: HOLD

CMP: Rs 2,324 Target Price: Rs 2,410

Stock Info

Sensex/Nifty 79,875/ 24,269

Bloomberg HUVR IN

Equity shares (mn) 2350

52-wk High/Low Rs 3,035/2,136

Face value Rs 1

M-Cap Rs 5,475bn/US\$ 64bn

3-m Avg Turnover US\$ 50mn

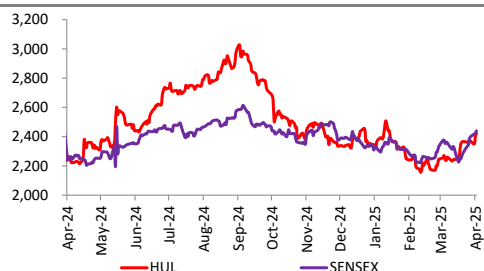
Financial Snapshot (Rs mn)

Y/E Mar	FY25	FY26E	FY27E
Sales	631,210	676,465	731,979
PAT	103,440	104,657	115,609
EPS (Rs)	44.0	44.5	49.2
PE (x)	52.8	52.2	47.2
EV/EBITDA (x)	36.3	35.5	32.1
P/BV (x)	10.2	10.0	9.7
EV/Sales	8.5	8.0	7.4
RoE (%)	20.6	21.0	22.7
RoCE (%)	26.9	27.5	29.6
NWC (days)	-18	-13	-13
Net gearing (x)	(0.2)	(0.1)	(0.1)

Shareholding Pattern (%)

	Mar 24	Dec 24	Sept 24
Promoter	61.9	61.9	61.9
–Pledged	-	-	-
FII	10.6	11.4	12.2
DII	15.5	14.7	14.1
Others	12.0	12.0	11.8

Stock Performance (1-year)



Growth revival targeted: Hindustan Unilever (HUL) delivered 4QFY25 results broadly in-line with our expectations. Topline growth of 2% YoY was driven by a similar volume growth; price hikes taken in soaps and beverages were negated by cuts in Home Care to maintain competitiveness. Categories of detergents, dishwash, floor cleaners (Home Care sales/volume growth of 3% YoY/ mid-single digits), hair care (double-digit volume-led growth), oral care (low-single digit growth), coffee and ice creams (double-digit growth) did relatively better. However, soaps (volume decline, largely in hygiene segment), mass skin care (value decline), nutrition drinks (value decline) and tea remain areas of concern.

Positively, HUL expects (1) gradual demand recovery in 1HFY26 vs 2HFY25; and (2) growth revival in soaps, mass skin care and nutrition. These would be powered by (a) product relaunches in Lifebuoy, Glow And Lovely; (b) change in pack-price combinations in Nutrition; and (c) higher spending across A&P, trade channels, product innovations, brand development and market research. The company also indicated a narrower gap between mass/premium segment growth vs 3Q25. EBITDA/PAT grew 1%/ 4% YoY.

Margins on the back-burner near-term: Gross margin (GPM) decline of c.140bps YoY to 50.5% was largely due to price hikes in soaps and tea lagging input-cost inflation in palm oil/ tea/ coffee; HUL indicated no further price cuts in Home Care, but **expects GPMs to moderate near-term** due to a persistent pricing-inflation gap. Management expects low-single digit pricing growth near-term. Operating margin (-35bps YoY) fell below the 23%-level (22.8%), **and management now guides near-term OPMs at 22-23% over the next 2-3 quarters**, a significant cut vs FY25 OPM of 23.5%, in our view. HUL plans to re-invest margins across P&L lines (listed above) as it prioritizes growth recovery over earnings. HUL maintains long-term outlook of modest OPM improvement.

View: While volume pickup in key categories of detergents, dishwash, hair care, oral care and premium skin is encouraging, we remain cautious on persistent weakness in soaps, tea, mass skin and nutrition drinks. We expect a gradual pickup in volume growth over FY26E-FY27E as HUL rejigs its portfolio to expand into high-growth categories (laundry/dishwash liquids, bodywash, international foods, high-science products in nutrition) and launches new product innovations to extract growth in portfolio gaps. Realizations should benefit from (1) higher pricing in soaps and tea, (2) normalization in detergents/ other categories and (3) improving product mix/premiumization. However, with near/medium-term margin outlook moderated in return for (expected) growth revival, we remain cautious on the stock.

Valuation: We lower our FY26E-FY27E revenue estimates by c.2% but EPS estimates by a steeper c.10-11% to factor in the sharply lower OPM outlook; we build revenue/PAT CAGR of 8%/6% over FY25-FY27E. We maintain our HOLD rating; we roll forward valuation to March-2027 (from December-2026) and value the stock at P/E of 49x (unchanged, a 15% discount to its long-period average to account for ongoing sluggish demand across key categories coupled with weaker margin outlook), leading to a lower TP of Rs 2,410 (vs Rs 2,645 earlier). We await signs of improving outlook in areas of concern as well as stable margin trajectory before turning positive. Stock trades at P/E of 52x/47x on FY26E/FY27E EPS.

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4QFY25 Result highlights

- Revenue/EBITDA/Adj.PAT growth of 2.4%/0.9%/3.8% YoY respectively led by 2% volume growth, with low-single digit growth in Home Care, Beauty, Personal Care and slight decline in Foods.
- Overall revenue growth of 2.4% YoY as a result of 1.8% growth in home care, 4.2% growth in beauty & wellbeing, 3.0% growth in personal care and decline of 0.4% in foods.
- Overall gross margin contracted 139 bps to 50.5%, impacted by RM inflation; EBITDA margin down by 34 bps to 22.8% with higher staff costs (+1.9% YoY, -2 bps YoY as % of sales) and other expenses (+3.1% YoY, +9 bps as % of sales).
- EBIT margin grew by 260bps/180bps in personal care/beauty & wellbeing, and declined by 76bps/280bps YoY for home care / food & refreshment respectively

Segmental Performance

- **Home care:** The segmental sales growth was 2% YoY, and volumes grew in mid-single digit during Q4 FY25. Outperformance by premium fabric wash and fabric conditioner drove the segmental growth. The liquid portfolio continued to deliver strong double-digit volume growth. Household care segment delivered high-single digit/ double-digit volume/value growth. The commodity deflation and continued competitive pricing actions had negative impact on overall growth.
- **Beauty & wellbeing:** The Beauty & Wellbeing delivered 4% sales growth and low-single digit volume de-growth. The hair care sub-segment grew double-digits led by volume. The skin care & colour cosmetics sub-segment declined by low-single digits. The category was impacted by weak performance in mass skin care.
- **Personal Care:** The sales grew by 3% YoY and volumes declined by low-single digit. Skin cleansing delivered low-single digit growth. Non-hygiene and bodywash witnessed positive growth momentum, delivering high-single digit and double digit, respectively. Bodywash continues to strengthen its market leadership. In oral care, pricing led the low-single digit growth.
- **Foods:** The food segment sales were slightly down by 0.4% YoY and volumes declined by mid-single digit; the segment showed some recovery on sequential basis. The company's Tea portfolio delivered low-single digit growth driven by pricing and maintained its leadership in value and volume terms. Coffee portfolio continued its double-digit growth. The nutrition drinks reported topline decline, impacted category headwinds and price-pack change. Ketchup, Mayonnaise and International cuisines delivered mid-single digit volume. Strong summer innovation pipeline led the double-digit volume growth in Ice cream sub-segment.

Conference call takeaways

• Outlook

- Gradual growth improvement expected; H1FY'26 will be better than H2FY'25; Near-term focus primarily on driving growth, and OPM would be secondary.
- EBITDA margin guided at 22-23% for next 2-3 qtrs; Mgmt intends to ramp up investment across P&L lines
- Investments will be into 1) Trade Channel, 2) Product Quality, 3) A&P spend, 4) Brand development, 5) Market research
- Long term guidance of modest margin improvement is still intact.
- Price growth of low-single digit and gross margin moderation due to RM costs

• Demand, Inflation & Pricing

- Observed subdued demand trend; rural markets are gradually improving; urban demand moderation continues
- Significant inflation in Palm Oil, Tea and Coffee; Deflation in Crude oil prices
- Calibrated price hikes taken in skin cleansing & beverages; but pricing cuts taken in home care segment

• Portfolio Transformation

- Portfolio shift of 200 bps from Core to future-core & 'market makers' segments; 80% of growth delta targeted from the higher-growth segments.
- Growth gap between small and large packs has narrowed vs 3Q; premium segment also growing
- E-com sales' salience 7-8%; Q-com c. 2%

• Category updates

- Soaps: saw low-single digit growth; HUL sees category growth momentum reviving, confident of seeing recovery; Lifebuoy relaunched
- Oral care: CloseUp forayed into whitening space and premium segment; Net realizations in toothpaste category improved due to pricing
- Home Care: No further pricing correction planned
- Nutrition Drinks: Challenges and headwinds in Horlicks; addressing it through 1) Change in price pack architecture, 2) focus on adult nutrition, 3) medical marketing, 4) investment in chemist channel
- Skincare: Mass skincare dragged the segment; Glow and Lovely (GAL) main concern to be addressed; relaunch of GAL and digital promotion are steps taken to counter it.
- Oziva improved its ARR from Rs 100 cr (when acquired) to 400 cr (now).
- Minimalist sales Rs 500+ cr in FY25.

Exhibit 1: Quarterly performance

YE March (Rs mn)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Net Revenues	152,140	148,570	154,080	2.4	(1.3)
Cost of materials	43,500	42,870	44,140	1.5	(1.4)
(% of sales)	28.6	28.9	28.6		
Purchase of stock in trade	31,840	28,640	31,870	11.2	(0.1)
(% of sales)	20.9	19.3	20.7		
Gross Profit	76,800	77,060	78,070	(0.3)	(1.6)
Gross margin (%)	50.5%	51.9%	50.7%		
Employee cost	7,890	7,740	6,840	1.9	15.4
(% of sales)	5.2	5.2	4.4		
Selling & admin	14,540	15,860	14,660	(8.3)	(0.8)
(% of sales)	9.6	10.7	9.5		
Others	19,710	19,110	20,870	3.1	(5.6)
(% of sales)	13.0	12.9	13.5		
EBITDA	34,660	34,350	35,700	0.9	(2.9)
EBITDA margin (%)	22.8	23.1	23.2		
Other income	2,990	2,200	3,120	35.9	(4.2)
PBIDT	37,650	36,550	38,820	3.0	(3.0)
Depreciation	3,130	2,890	3,080	8.3	1.6
Finance cost	750	1,020	1,050	(26.5)	(28.6)
PBT	33,770	32,640	34,690	3.5	(2.7)
Tax	8,610	8,410	9,770	2.4	(11.9)
ETR (%)	25.5	25.8	28.2		
Adjusted PAT	25,160	24,230	24,920	3.8	1.0
PATAMI margin	16.5	16.3	16.2		
Exceptional item	(230)	(170)	5,090		
Reported PAT	24,930	24,060	30,010	3.6	(16.9)
No. of shares (mn)	2,350.0	2,350.0	2,350.0		
Adj EPS (Rs)	10.7	10.3	10.6		

Source: Company, Systematix Institutional Research

Exhibit 2: Segmental performance

YE March (Rs mn)	4QFY25E	4QFY24	3QFY25	YoY (%)	QoQ (%)
Segment revenue					
Home care	58,180	57,150	57,420	1.8%	1.3%
Beauty & Wellbeing	31,130	29,870	34,380	4.2%	-9.5%
Personal care	21,240	20,630	22,460	3.0%	-5.4%
Foods & Refreshments	38,960	39,110	37,450	-0.4%	4.0%
Others	2,630	1,810	2,370	45.3%	11.0%
Net Sales	152,140	148,570	154,080	2.4%	-1.3%
Segmental EBIT Margin					
Home care	20.0%	18.9%	18.4%	110 bps	165 bps
Beauty & Wellbeing	33.3%	30.7%	29.4%	260 bps	390 bps
Personal care	18.5%	18.0%	17.6%	45 bps	85 bps
Foods & Refreshments	16.1%	18.9%	20.2%	-280 bps	-405 bps

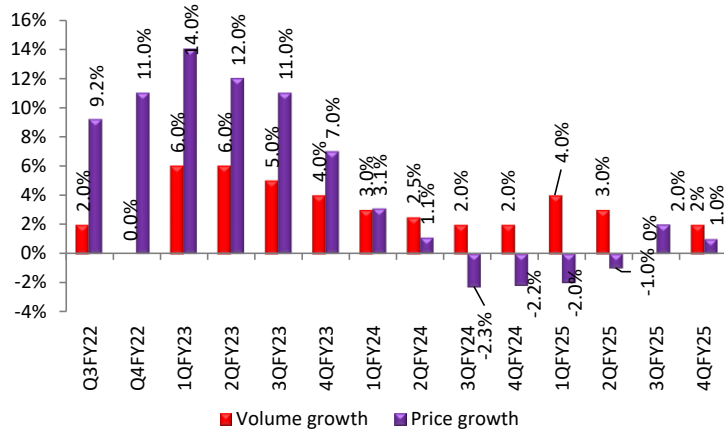
Source: Company, Systematix Institutional Research

Exhibit 3: Change in Estimates

Rs mn	Old Estimates		Revised Estimates		Variation (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	689,712	748,904	676,465	731,979	-1.9%	-2.3%
EBITDA	166,315	185,082	151,866	167,623	-8.7%	-9.4%
EBITDA Margin	24.1%	24.7%	22.5%	22.9%		
Adj. PAT	116,539	130,326	104,657	115,609	-10.2%	-11.3%

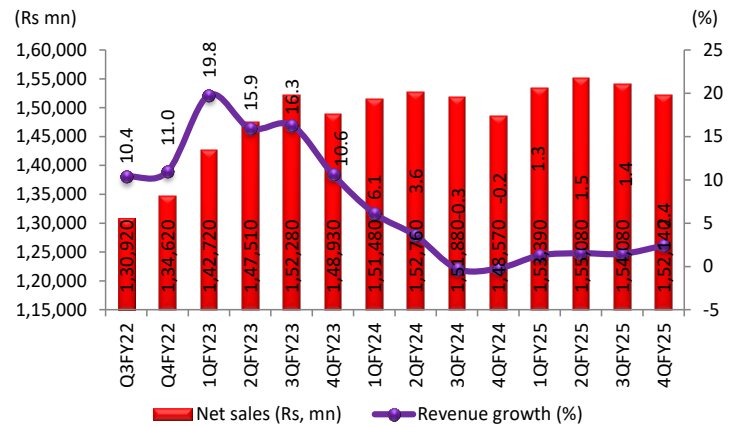
Source: Company, Systematix Institutional Research

Exhibit 4: 2% volume growth



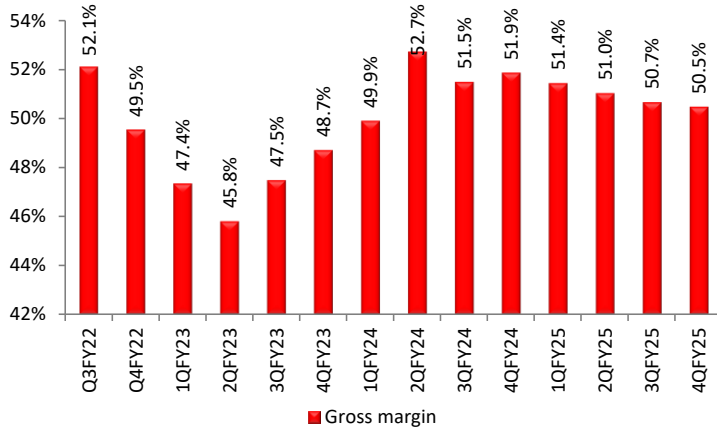
Source: Company, Systematix Institutional Research

Exhibit 5: Revenue grew 2.4% YoY



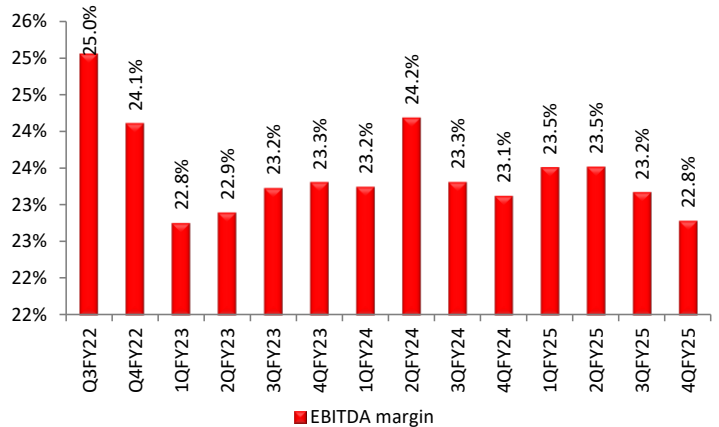
Source: Company, Systematix Institutional Research

Exhibit 6: Gross margin declined 140bps YoY



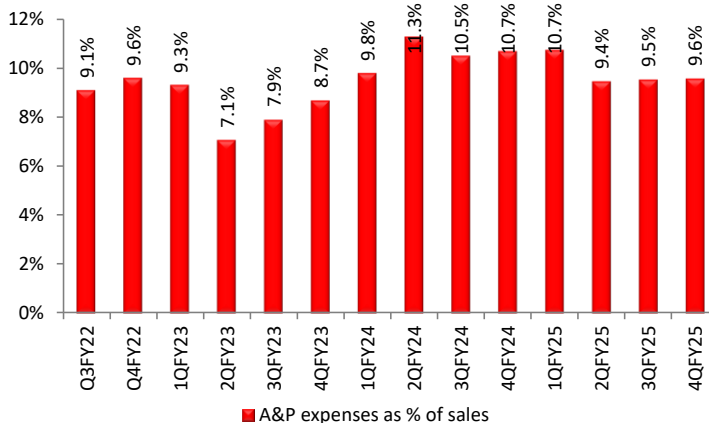
Source: Company, Systematix Institutional Research

Exhibit 7: EBITDA declined 34bps YoY



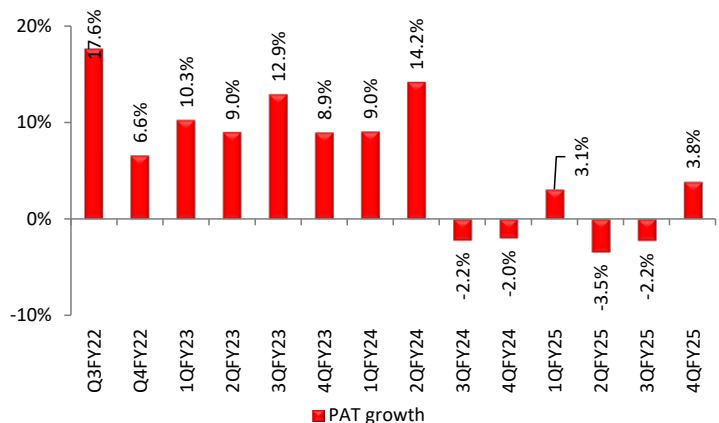
Source: Company, Systematix Institutional Research

Exhibit 8: A&P spends declined 8% year on year



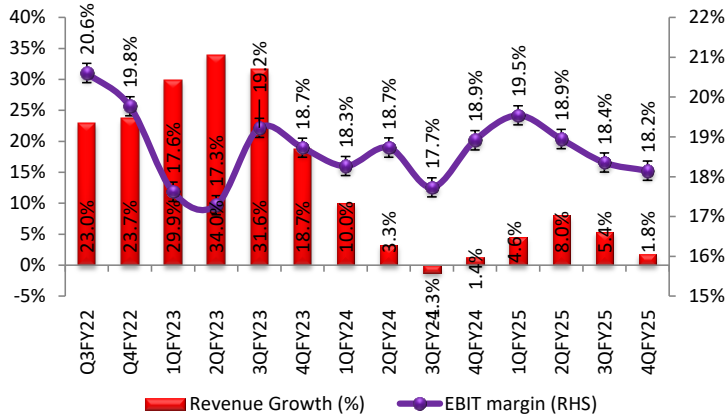
Source: Company, Systematix Institutional Research

Exhibit 9: PAT growth 3.8% YoY



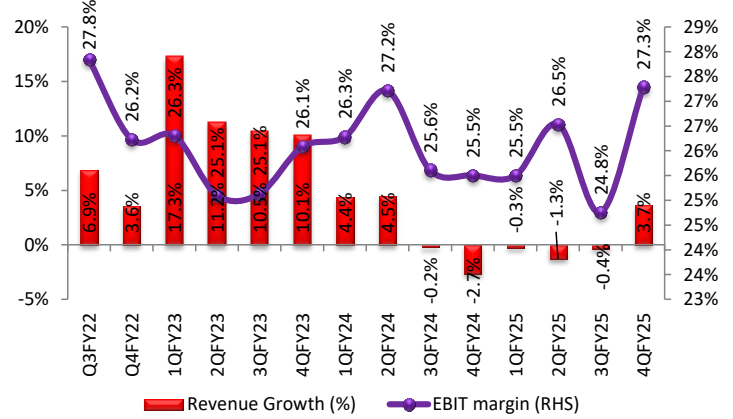
Source: Company, Systematix Institutional Research

Exhibit 10: Home care sees 1.8% growth, mid-single digit volumes



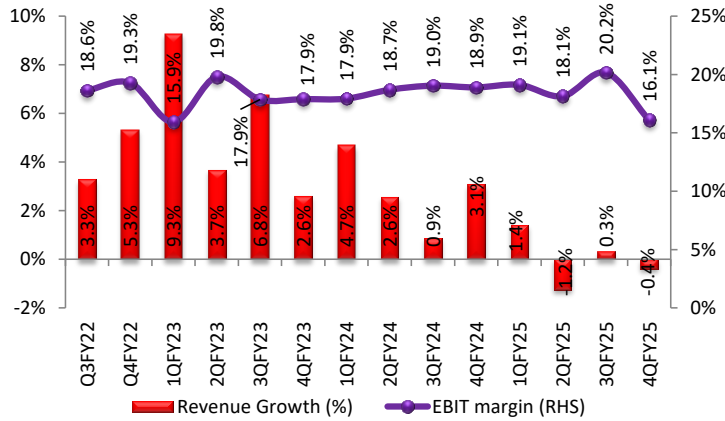
Source: Company, Systematix Institutional Research

Exhibit 11: B&W grew by 3.7%, volume at low-single digit



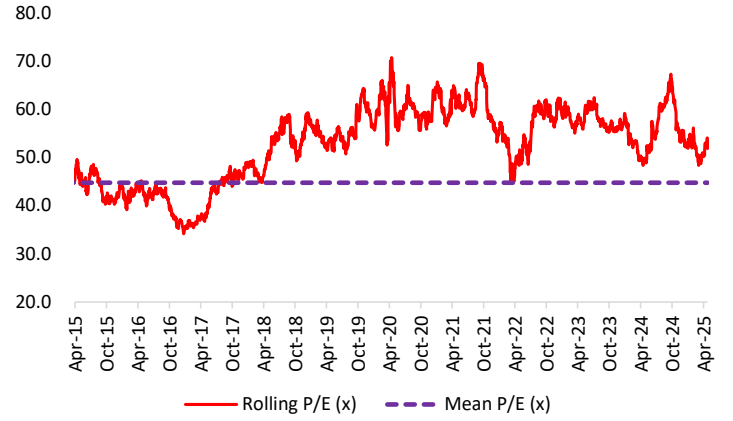
Source: Company, Systematix Institutional Research

Exhibit 12: F&R - volume decline mid-single digit



Source: Company, Systematix Institutional Research

Exhibit 13: HUL currently trades at 52x 1-yr fwd P/E



Source: Bloomberg, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	6,05,800	6,18,960	6,31,210	6,76,465	7,31,979
RM Cost	2,01,370	1,92,460	1,93,050	2,09,366	2,25,450
Purchase of trad. Goods	1,15,790	1,05,140	1,12,730	1,21,764	1,31,756
Gross Profits	2,88,640	3,21,360	3,25,430	3,45,335	3,74,773
Employee costs	28,540	30,090	30,770	32,470	34,403
Selling & Admin costs	1,18,620	1,44,640	1,46,150	1,60,999	1,72,747
Total Expenses	4,64,320	4,72,330	4,82,700	5,24,598	5,64,356
EBITDA	1,41,480	1,46,630	1,48,510	1,51,866	1,67,623
Depreciation	11,370	12,160	13,550	14,718	15,774
Other income	5,120	8,110	10,170	10,679	11,212
EBIT	1,35,230	1,42,580	1,45,130	1,47,827	1,63,062
cost	1,140	3,340	3,950	4,345	4,780
PBT	1,34,090	1,39,240	1,41,180	1,43,482	1,58,282
Taxes	32,010	36,440	37,440	38,555	42,403
Share in JV/ MI	(10)	(90)	(300)	(270)	(270)
Adj. PAT	1,02,070	1,02,710	1,03,440	1,04,657	1,15,609
Extraordinaries/Exceptional	640	(60)	(3,050)	-	-
Reported PAT	1,01,430	1,02,770	1,06,490	1,04,657	1,15,609
No. of shares (mn)	2,350	2,350	2,350	2,350	2,350
Adj. EPS	43.4	43.7	44.0	44.5	49.2

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	1,33,460	1,39,260	1,44,150	1,43,482	1,58,282
Add: Depreciation	11,520	12,160	13,630	14,718	15,774
Add:	1,140	3,170	3,720	4,345	4,780
Less: taxes paid	(31,400)	(3,810)	(22,680)	(37,305)	(41,153)
Add: other adjustments	(5,230)	(4,820)	(12,080)	-	-
Less: WC changes	(9,580)	8,730	(7,880)	(11,711)	3,464
Total OCF	99,910	1,54,690	1,18,860	1,13,529	1,41,146
OCF w/o WC changes	1,09,490	1,45,960	1,26,740	1,25,240	1,37,682
Capital expenditure	(13,870)	(14,610)	(6,670)	(14,000)	(12,000)
Change in investments	(3,680)	(42,910)	71,400	-	-
/Dividend reced.	2,610	4,280	-	-	-
Total ICF	(14,940)	(53,240)	64,730	(14,000)	(12,000)
Free Cash Flows	86,040	1,40,080	1,12,190	99,529	1,29,146
Share issuances	-	-	-	-	-
Change in borrowings	-	-	-	-	-
Dividends	(84,740)	(94,160)	(1,24,730)	(94,191)	(1,04,048)
payment	(880)	(1,100)	(1,300)	(4,345)	(4,780)
Others	(3,910)	(5,080)	(4,980)	(8,701)	(9,825)
Total FCF	(89,530)	(1,00,340)	(1,31,010)	(1,07,237)	(1,18,652)
Net change in cash	(4,560)	1,110	52,580	(7,708)	10,494
Opening cash & CE	38,460	46,780	75,590	75,540	65,823
Closing cash & CE	46,780	75,590	75,540	65,823	72,484

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	2,350	2,350	2,350	2,350	2,350
Reserves and surplus	5,00,690	5,09,830	4,91,670	5,02,136	5,13,697
Net worth	5,03,040	5,12,180	4,94,020	5,04,486	5,16,047
Minority	2,180.0	2,050.0	2,070.0	2,070.0	2,070.0
Total Debt	-	-	-	-	-
Other LT liabilities	30,300	34,000	34,510	36,926	39,510
Total sources	5,35,520	5,48,230	5,30,600	5,43,481	5,57,627
Net Block	69,490	80,310	86,250	96,250	1,06,250
Intangible assets	4,57,290	4,57,130	4,57,100	4,57,100	4,57,100
Net deferred tax	(63,330)	(96,150)	(1,09,700)	(1,09,700)	(1,09,700)
Other assets	11,030	11,300	12,670	13,557	14,506
CWIP	11,320	10,250	10,090	10,090	10,090
Investments	28,130	45,600	37,530	37,530	37,530
Cash	46,780	75,590	75,540	65,823	72,484
Inventories	42,510	40,220	44,150	48,187	52,141
Debtors	30,790	29,970	38,190	44,480	48,130
Other current assets	21,790	21,880	25,120	28,240	29,236
Current Assets	95,090	92,070	1,07,460	1,20,906	1,29,507
Creditors	95,740	1,04,860	1,13,150	1,16,760	1,26,342
Other CL	24,540	23,010	33,190	31,316	33,799
Current Liabilities	1,20,280	1,27,870	1,46,340	1,48,075	1,60,140
Net Working Capital	(25,190)	(35,800)	(38,880)	(27,169)	(30,633)
Total Uses	5,35,520	5,48,230	5,30,600	5,43,480	5,57,627

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
Yoy growth in Revenue	15.5	2.2	2.0	7.2	8.2
Yoy growth in EBITDA	10.0	3.6	1.3	2.3	10.4
Yoy growth in Net income	14.3	0.6	0.7	1.2	10.5
Effective tax rate	23.9	26.2	26.5	26.0	26.0
EBITDA margin	23.4	23.7	23.5	22.5	22.9
PAT margin	16.8	16.6	16.4	15.5	15.8
ROACE (pre-tax)	25.7	26.3	26.9	27.5	29.6
ROAE	20.5	20.3	20.6	21.0	22.7
Net debt to equity (x)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Inventory days	26	24	26	26	26
Debtors days	19	18	22	24	24
Payable days	58	62	65	63	63
NWC days	(14)	(20)	(18)	(13)	(13)
Per share numbers (Rs)					
Reported earnings	43.4	43.7	44.0	44.5	49.2
Dividend	39.0	42.0	40.8	40.1	44.3
Book Value	232.9	237.1	228.7	233.6	238.9
Valuations (x)					
Price to diluted earnings	53.5	53.2	52.8	52.2	47.2
EV / EBITDA	42.2	35.8	36.3	35.5	32.1
Price to sales	9.9	8.6	8.7	8.1	7.5

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

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Analyst holding in the stock	No
Served as an officer, director or employee	No

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