INVasset Corporate Insights

Hindustan Unilever Limited

22nd April, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Hindustan Unilever Limited (HUL): It is a household name synonymous with everyday essentials in India. For over 90 years, HUL has been a dominant force in the Indian Fast-Moving Consumer Goods (FMCG) market, with its brands gracing the shelves of over 8 million stores and finding their way into 9 out of 10 Indian homes. Going beyond the familiar brand recognition, HUL takes advantage of it's diverse product portfolio, its unwavering market leadership across numerous categories.

FMCG Powerhouse: Hindustan Unilever Limited (HUL) is a dominant player in the Indian Fast-Moving Consumer Goods (FMCG) sector. Their portfolio encompasses a vast array of everyday household products, beauty & personal care items, and food & refreshment offerings.

Beauty & Personal Care : This segment forms the backbone of HUL's business, representing over 42% of their revenue. It boasts a diverse product range with over 900 SKUs (Stock Keeping Units) catering to 14 distinct consumer segments identified across India. This diversification translates into impressive profitability, with this segment yielding the highest margins at around 29%.

Predominantly Indian Focus: India is the core market for HUL, generating a staggering 96% of their revenue. The remaining 4% comes from sales outside India. This intense focus on the Indian market allows them to deeply understand and cater to the specific needs and preferences of Indian consumers.

Home Care Expertise: HUL offers a comprehensive selection of home care products, catering to various needs and income levels. Their brands like Vim, cif, Domex, Sunlight, and Nature Protect address household cleaning needs. For fabric care, they have a stronghold with Comfort, Wheel, Rin, Surf excel, and Love & Care.

Widespread Distribution: HUL products enjoy exceptional reach across India. Their brands are available in over 8 million stores. This widespread distribution network is a testament to their brand recognition and consumer trust.

Market leadership: HUL's leadership extends across approximately 90% of their business segments, showcasing dominant presence in skin cleansing, skincare, hair care, fabric wash, household care, and beverages . This market dominance underscores the strength of their brand portfolio and loyalty of consumers. Renowned for their iconic brands in the Beauty & Personal Care sector, HUL has built a devoted customer base with names like Dove, Lifebuoy, LUX, Pears, Pepsodent, Tresemme, Indulekha, Pond's, Vaseline, Lakme, and Glow & Lovely, addressing a wide array of consumer needs in skin cleansing, oral care, hair care, and skincare.

Innovation Focus: While leveraging established brands, HUL prioritizes continuous innovation. This is evident in their diverse product portfolio catering to various consumer needs and income segments. Their focus on "improved innovation" within the Food & Refreshment segment further emphasizes their commitment to staying ahead of the curve

Stock Data	
CMP (22-04-2024)	2237.70
52 Week High/Low	2770 / 2172
Face Value	1.00
Market Cap (In Crs)	5,26,050
Enterprise Value (In Crs)	5,19,751
NSE	HINDUNILVR
BSE	500696
Bloomberg	HUVR:IN
Sector	FMCG

Shareholding Pattern (in %)		
	DEC 23	SEP 23
Promoter	61.90	61.90
FII	13.65	13.90
DII	12.31	11.90
Public	12.11	12.26

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.22	14.01	26.43
HINDUNILVR	-0.16	- 10.28	-10.38

Key Ratios	
P/E	51.0
P/S	8.50
P/B	10.4
Debt To Equity	0.03
ROE	20.5
ROCE	26.6
Dividend Yield	1.74

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY 24	Q2 FY 24	Q3 FY 23	QOQ	YOY
Sales	15,567	15,623	15,597	-0.36%	-0.19%
EBITDA	3,849	3,973	3,701	-3.12%	4.00%
EBIT	3,536	3,676	3,408	-3.81%	3.76%
Net Profit	2,508	2,657	2,481	-5.61%	1.09%
EPS	10.68	11.3	10.53	-5.49%	1.42%

Result Highlights

In the third quarter of FY 24, Hindustan Unilever witnessed a marginal decline in sales, with revenues amounting to INR 15,567 crore, representing a decrease of 0.36% compared to the previous quarter and a slight dip of 0.19% year-on-year when juxtaposed with Q3 FY 23. Despite this, the company's EBITDA stood at INR 3,849 crore, reflecting a QOQ decrease of 3.12% but a notable YOY increase of 4.00%. Similarly, EBIT and net profit also experienced a sequential decrease of 3.81% and 5.61%, respectively, compared to the preceding quarter, while demonstrating YOY growth of 3.76% and 1.09%, respectively. Consequently, the earnings per share for Q3 FY 24 settled at INR 10.68, down by 5.49% from Q2 FY 24 but marking a positive YOY growth of 1.42%.Despite encountering a slight contraction in sales during the third quarter of FY 24, Hindustan Unilever demonstrated resilience in its operational performance. However, the company experienced a marginal decline in net profit over the quarter, primarily attributed to the sequential reduction in sales. Nonetheless, with a consistent focus on operational efficiency and strategic management, Hindustan Unilever remains well-positioned to navigate market dynamics and capitalize on emerging opportunities, thereby sustaining its trajectory of growth and value creation for shareholders in the foreseeable future.

Steady Sales Amidst Shifting Winds: The company's sales figures for Q3 FY24 show a slight dip of 0.36% from Q2 FY24, totaling INR 15,567 crores. Year-over-year data presents a similar trend, with a marginal decrease of 0.19%. Despite these slight reductions, the company's sales remain relatively stable, indicating resilience in challenging economic times and the ability to maintain consistent revenue streams.

EBITDA Holds the Line: EBITDA for Q3 FY24 stands at INR 3,849 crores, experiencing a small decline of 3.12% from the previous quarter. However, the company has managed to maintain its EBITDA on an annual basis, with no change from the same quarter the previous year. This demonstrates the company's robust operational control and its success in managing costs effectively.

EBIT Uptick Signifies Operational Optimism: The company's earnings before interest and taxes (EBIT) have shown a positive QoQ increase of 3.81%, reaching INR 3,536 crores. This growth is also reflected YoY with a 3.76% increase. Such an uptick is indicative of a well-managed operational framework that's translating into higher earnings.

Net Profit Navigates Turbulent Times: Net profit experienced a contraction of 5.61% QoQ, with the figures falling to INR 2,508 crores. Nevertheless, the company has a silver lining with a 1.09% YoY increase, suggesting it's navigating through economic turbulence with a degree of success.

EPS Slight Dip, Investor Watch: Earnings per Share (EPS) witnessed a QoQ decrease of 5.49%, from INR 11.3 to INR 10.68. However, when viewed through a YoY lens, the decrease is somewhat contained at 1.42%. This could be a point of watchfulness for investors, as EPS reflects profitability from a shareholder perspective.

Resilience in Results: A Broader Picture: Overall, the company's Q3 FY24 results portray a story of resilience. Sales have shown steadfastness, operational profits are on the rise, and net profits, despite short-term hits, display a year-over-year improvement. These figures collectively point towards a company that's maintaining its course in an otherwise fluctuating economic environment.

Concall Highlights

Trade segment outpacing General Trade: Premium product volume growth surpasses mass products. Market price growth reduced from 8% to marginally negative. Three-year cumulative price increase stands at around 25%. The company's trade performance highlights the shift towards premium products and the impact of pricing strategies on market dynamics. The trend of premiumization and pricing adjustments are key factors influencing trade performance.

Company Performance Overview: Underlying Volume Growth at 2% in the quarter. Volume recovery in Home Care and Beauty & Personal Care segments. Foods & Refreshment segment experienced volume decline due to pricing actions. Market share improvement by almost 200 basis points compared to the previous year. The company's performance metrics reflect the sector-specific challenges and opportunities faced in different segments. Volume growth and strategic pricing decisions play a crucial role in shaping the overall performance of Hindustan Unilever Limited.

Market Insights and Trends: Resurgence of small and regional players impacting market share gains. Expected impact on MAT Business winning metric. Anticipated recovery in Home Care and Beauty & Personal Care segments. Identified rural slowdown as a significant challenge. Market insights reveal the competitive landscape, challenges, and opportunities in the consumer goods sector. The impact of regional players, market share dynamics, and sector-specific trends like rural slowdown provide valuable insights into the market environment for Hindustan Unilever Limited.

Price and Margin Analysis: HUL faces margin pressure stemming from rising input costs, prompting price adjustments to counterbalance these challenges. The company maintains a long-term ambition for margin improvement, underpinned by efforts to drive net productivity throughout its operations. Emphasizing productivity enhancements and effective cost management is vital for sustaining profitability amid market complexities.

Product Innovation and Launches: Introduction of new products like Lash Boost Mascara and Close-up toothpaste variants. Focus on innovation in Beauty & Personal Care segment. Positive response to new launches in the market. Product innovation and launches play a vital role in driving consumer engagement and market growth. The company's focus on introducing new products and variants in response to consumer preferences reflects its commitment to staying competitive and meeting evolving market demands.

Competitive Landscape and Market Share Dynamics: The competitive landscape and market share dynamics reveal HUL's consistent gains in competitive segments, underpinned by strategies aimed at preserving and augmenting market share. Emphasis on competitiveness and market leadership elucidates the company's strategic positioning. The strategies employed to sustain and bolster market share underscore the company's commitment to its competitive edge and leadership stature in the industry.

Category Performance and Growth Trends: Segment-wise performance in categories such as Skin Care, Oral Care, and Hair Care unveils notable growth trends and consumer inclinations. The influence of seasonal variations on category growth is substantial, shaping market dynamics significantly. HUL aims at discerning challenges and opportunities within each category, thereby facilitating the formulation of targeted strategies to bolster market share and drive sustainable growth.

Future Outlook and Growth Strategies: HUL's future outlook and growth strategies emphasize long-term growth prospects and strategic priorities. Central to their approach are innovation, market expansion, and brand building. These strategies are designed to effectively navigate market challenges while seizing opportunities for growth. By articulating their vision for the future and outlining key focus areas and initiatives, Hindustan Unilever Limited provides pathway for sustainable growth and value creation.

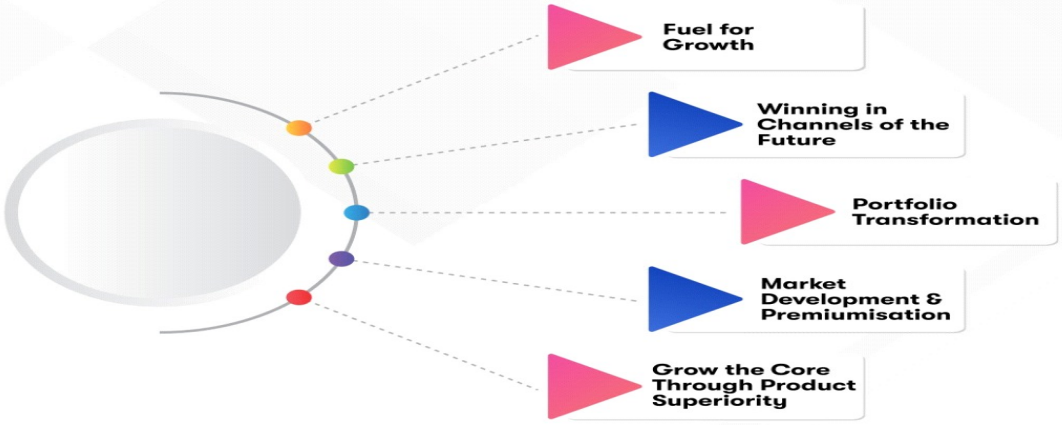
Expansion and Market Penetration: HUL is aggressively expanding its market reach and exploring new segments. Through a focus on pioneering product development, vigorous marketing strategies, and leveraging its extensive distribution network, the company is strategically positioning itself to seize emerging opportunities and bolster its competitive position in both domestic and international markets.

Customer Engagement and Market Expansion: The company emphasizes customer engagement and market expansion as pivotal strategies for bolstering brand loyalty, increasing market presence, and driving growth. This includes initiatives to deepen customer connections and expand into both existing and new markets, demonstrating a commitment to sustainable expansion and maintaining market leadership.

Operational Efficiency and Cost Management: Initiatives to optimize operational efficiency and manage costs effectively are central to the company's operations. By focusing on initiatives to streamline processes, manage expenses amidst inflationary pressures, and enhance the supply chain, the company aims to ensure sustainable growth and profitability over the long term.

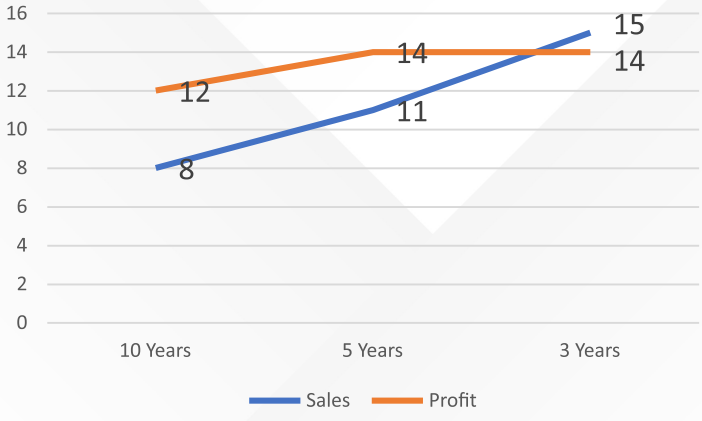
Strategic Partnerships and Collaborations: The company's leadership highlighted the pivotal role of strategic partnerships and collaborations in their growth trajectory. Emphasizing a proactive stance, with an approach to seek out collaborations with strategic partners to synergize strengths for mutual advancement. The focus remained steadfast on propelling innovation and penetrating new markets through these alliances, deemed critical for sustained growth. Focusing on significance of forging strategic partnerships to bolster competitive prowess, foster innovation, and seize emerging market opportunities. thereby driving enduring growth and fortifying Hindustan Unilever's position.

Key Thrusts

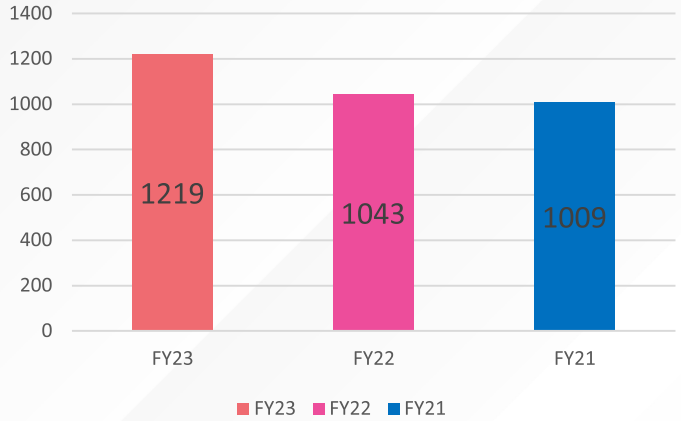


Story Through Charts

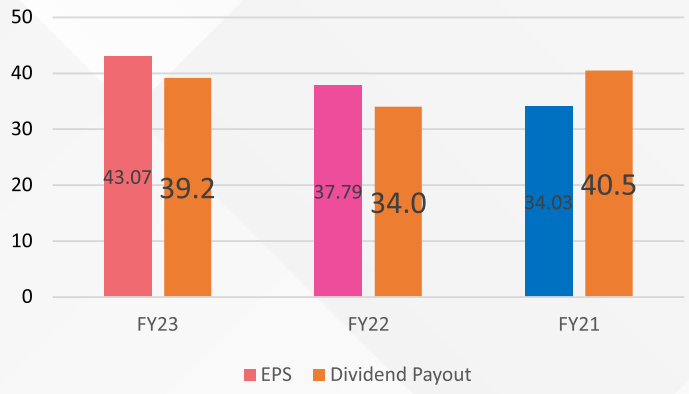
Compounded Growth (In %)



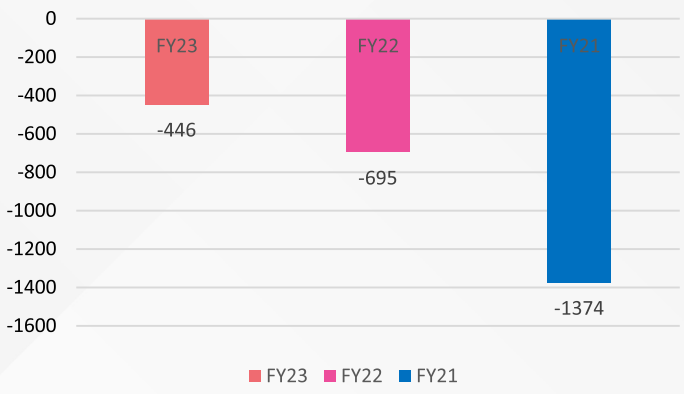
Borrowings(In Cr)



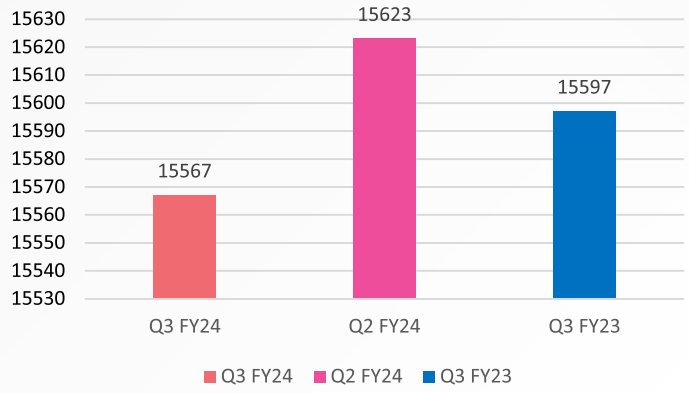
Earnings & Dividend (In Cr)



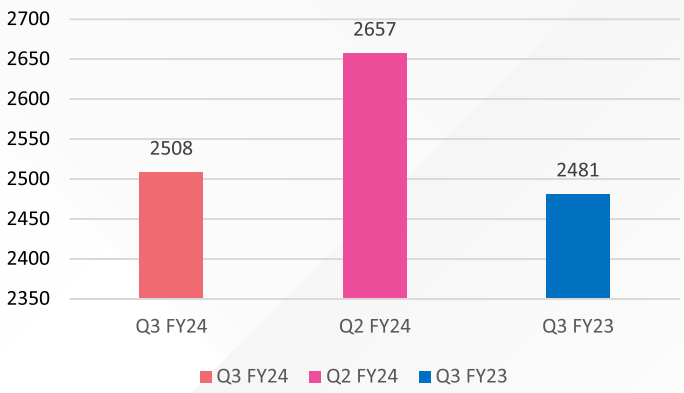
Cash Flows (In Cr)



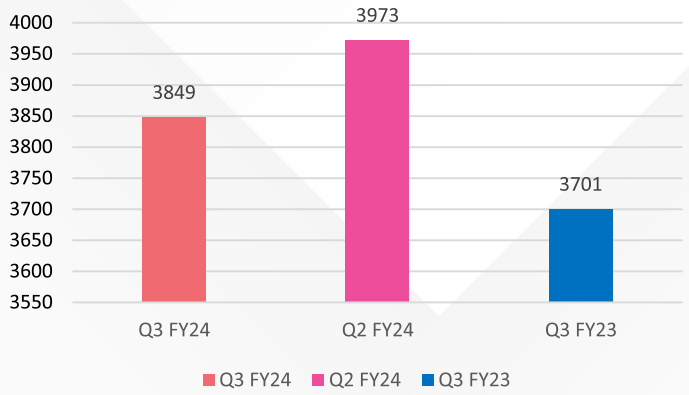
Revenue (In Cr)



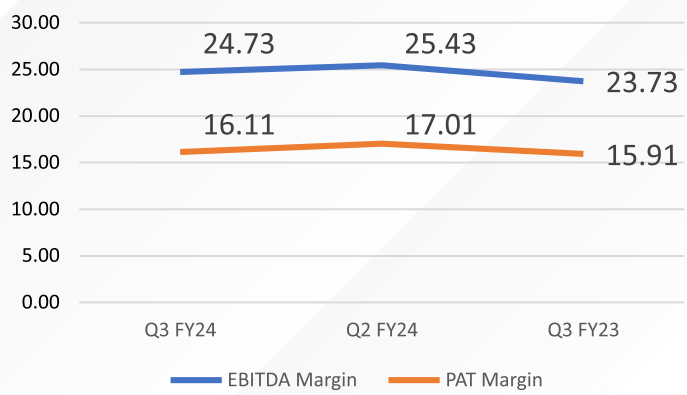
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin(In %)



Technical Outlook



The chart shows the weekly price action for Hindustan Unilever Ltd over several years. Prices have fluctuated within a defined range, marked by horizontal support and resistance levels. Notably, there was a significant spike in volatility around early 2020. Since then, the stock has traded in a consolidation pattern. Recently, the price appears to have broken below a support level, suggesting a potential downtrend. Volume bars indicate trading activity, with no unusual spikes in the most recent periods.

The Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) for Hindustan Unilever Ltd show a general uptrend as the days increase. SMAs range from 2218.7 over 5 days to 2491.6 over 200 days, while EMAs range from 2227.0 over 5 days to 2455.1 over 200 days, indicating a slightly more bullish perspective by the EMA.

The Relative Strength Index (RSI) indicates potential overselling, with a daily RSI of 37.31 and a weekly RSI of 32.70.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	2218.7	2227.0
10	2241.9	2237.9
20	2250.5	2261.6
50	2334.6	2327.6
100	2436.8	2394.9
200	2491.6	2455.1

Pivot Levels : FIBONACCI		
R1 2251.57	Pivot 2223.78	S1 2203.82
R2 2271.53		S2 2176.03
R3 2299.32		S3 2156.07

	Daily	Weekly
Relative Strength Index (RSI)	37.31	32.70

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