



*Hindustan Unilever Limited*

———— 15th May, 2024 ————



India's Best Performing and Most Customer Centric PMS

## Hindustan Unilever India: Dominating the FMCG Landscape

**Powerhouse in Beauty & Personal Care:** Unilever India's Beauty & Personal Care segment stands as a pillar of strength, contributing 42% of revenues. With an extensive portfolio spanning over 900 SKUs tailored for 14 distinct consumer clusters, it boasts brands like Dove, LUX, and Ponds. Operating at a remarkable 29% margin, it outshines other divisions, reflecting its robust market presence and consumer loyalty.

**Home Care Excellence:** In the Home Care segment, Unilever India offers a diverse range of products catering to various consumer needs. From household care essentials like Vim and Sunlight to fabric wash brands like Surf Excel, its portfolio resonates across economic segments, capturing mass, popular, and premium markets alike.

**Foods & Refreshments Delight:** Unilever India's Foods & Refreshments segment tantalizes taste buds nationwide. With a spectrum of offerings including Knorr soups, Lipton tea, and Kwality Walls ice cream, it enriches culinary experiences.

**Widely Spread Footprint:** Unilever India's brands enjoy a pervasive presence, gracing over 80 lakh stores and adorning nearly 90% of Indian households. This extensive reach underscores the company's penetration and resonance within the Indian consumer market, solidifying its position as a household name. By forging strong partnerships with retailers and distributors.

**India-Centric Revenue Focus:** India serves as the nucleus of Unilever's operations, contributing a significant 96% of its revenues. While the company ventures beyond Indian borders, its primary focus remains on leveraging the vast opportunities within the nation's thriving consumer landscape. By tailoring its product offerings and marketing strategies to suit local preferences and cultural nuances, Unilever strengthens its foothold in India, fueling sustained growth and profitability.

**Market Dominance Across Categories:** Unilever India's ascent to market leadership is evident across multiple product categories. From skin cleansing to fabric wash, tea to ketchup, the company commands dominance in approximately 90% of its business domains, exemplifying its unrivaled market prowess.

**Innovation and Adaptability:** Fueled by a commitment to innovation, Unilever India continuously evolves to meet changing consumer demands. Its Winning in Many Indias (WiMi) strategy underscores adaptability, ensuring sustained growth and relevance amidst dynamic market landscapes.

**Sustaining Growth Momentum:** As Unilever India charts its path forward, sustaining growth momentum remains paramount. With a steadfast focus on consumer-centric strategies, innovation, and market expansion, the company is poised to continue its reign as a beacon of success in India's FMCG sector.

| Stock Data                |                                      |
|---------------------------|--------------------------------------|
| CMP                       | 2,324                                |
| 52 Week High/Low          | 2,770/2,170                          |
| Face Value                | 1.00                                 |
| Market Cap (In Crs)       | 5,54,903                             |
| Enterprise Value (In Crs) | 5,48,828                             |
| NSE                       | HINDUNILVR                           |
| BSE                       | 500696                               |
| Bloomberg                 | HUVR:IN                              |
| Sector                    | FMCG – Personal care - Multinational |

| Shareholding Pattern (in %) |        |        |
|-----------------------------|--------|--------|
|                             | MAR 24 | DEC 23 |
| Promoter                    | 61.90  | 61.90  |
| FII                         | 12.67  | 13.65  |
| DII                         | 13.21  | 12.31  |
| Public                      | 12.19  | 12.11  |

| Price Performance (in%) |      |       |       |
|-------------------------|------|-------|-------|
| (%)                     | 1M   | 6M    | 1Yr   |
| Nifty 50                | -3.5 | 13.04 | 19.89 |
| HINDUNILVR              | 2.68 | -6.66 | -8    |

| Key Ratios     |       |
|----------------|-------|
| P/E            | 53.1  |
| P/S            | 8.82  |
| P/B            | 10.8  |
| Debt To Equity | 0.03  |
| ROE            | 20.2% |
| ROCE           | 27.2% |
| Dividend Yield | 1.79% |

## Q4 FY 24 Result Update

| Q4 FY24 Result Comparison (In Rs Cr) |         |         |         |        |        |
|--------------------------------------|---------|---------|---------|--------|--------|
|                                      | Q4 FY24 | Q3 FY24 | Q4 FY23 | QOQ    | YOY    |
| Sales                                | 15,210  | 15,567  | 15,215  | -2.29% | -0.03% |
| Expenses                             | 11,675  | 11,902  | 11,643  | -1.91% | 0.27%  |
| EBITDA                               | 3,884   | 3,849   | 3,812   | 0.90%  | 1.89%  |
| Other Income                         | 309     | 184     | 240     | 67.93% | 28.75% |
| Net Profit                           | 2,561   | 2,508   | 2,601   | 2.11%  | -1.54% |
| EPS                                  | 10.89   | 10.68   | 11.07   | 1.97%  | -1.63% |

## Result Highlights

### Hindustan Unilever's Performance Snapshot: A Detailed Look at Q4 FY24 Results

**Quarterly Sales Performance:** In the fourth quarter of fiscal year 2024, Hindustan Unilever reported sales amounting to ₹15,210 crores, marking a slight decrease of 2.29% from the previous quarter (Q3 FY24), where sales were ₹15,567 crores. When compared year-over-year with Q4 FY23, the figures are nearly steady, showing a minimal decline of 0.03%. This indicates a stabilization in sales figures despite fluctuating market conditions, suggesting effective management strategies to maintain revenue streams.

**Expense Management Insight:** The company's expenses for Q4 FY24 stood at ₹11,675 crores, reflecting a decrease of 1.91% from Q3 FY24, which recorded ₹11,902 crores in expenses. Year-over-year analysis shows a slight increase of 0.27% from ₹11,643 crores in Q4 FY23. The minor increase in expenses year-over-year, against nearly stable sales, points to sustained investment in operational efficiencies and possibly increased raw material costs.

**EBITDA Analysis:** EBITDA for the quarter was ₹3,884 crores, a slight increase of 0.90% from Q3 FY24's ₹3,849 crores but up 1.89% from ₹3,812 crores in Q4 FY23. This increase on a year-over-year basis indicates improving profitability and effective cost control measures, allowing the company to enhance its earnings before interest, taxes, depreciation, and amortization amidst a challenging economic landscape.

**Boost from Other Income:** A notable jump in other income was observed, reaching ₹309 crores in Q4 FY24 from ₹184 crores in Q3 FY24, an increase of 67.93%. Comparing year-over-year, there's a rise of 28.75% from ₹240 crores in Q4 FY23. This significant boost in other income could be attributed to better investment management or one-time gains, playing a crucial role in strengthening the company's financial health.

**Net Profit and Profitability:** Net profit for Hindustan Unilever in Q4 FY24 was ₹2,561 crores, showing an increase of 2.11% from Q3 FY24's ₹2,508 crores and a modest rise of 1.54% from Q4 FY23's ₹2,601 crores. The consistent growth in net profit underscores the company's ability to enhance its profitability through strategic initiatives and effective cost management. This performance indicates a strong financial discipline and the ability to adapt to market conditions while continuing to deliver shareholder value.

**Earnings Per Share (EPS) Trends:** The EPS for the quarter stood at ₹10.89, slightly higher by 1.97% compared to the previous quarter's EPS of ₹10.68, although it marked a decrease of 1.63% from ₹11.07 in Q4 FY23. This EPS performance reflects the company's resilience in maintaining shareholder value and navigating through the economic shifts with a balanced approach. This slight fluctuation in EPS indicates that while the company is adept at managing operational efficiencies to maintain a positive trajectory, it is also susceptible to broader market dynamics and pressures.

## Concall Highlights

**Steady Growth and Enhanced Profitability: Hindustan Unilever's Fiscal Year in Review:** Hindustan Unilever demonstrated robust financial performance in its fiscal year, achieving a turnover of ₹59,579 crores. This financial strength was underscored by a 3% increase in underlying sales growth and a 2% rise in volume growth, reflecting a solid demand for its products despite varying market conditions. Impressively, the EBITDA margin expanded to 23.8% of turnover, with a significant improvement of 40 basis points over the previous year, indicating enhanced operational efficiency. Additionally, the gross margin saw an impressive increase of 430 basis points compared to FY23. Net profit for the year reached ₹10,114 crores, with profit after tax (PAT) efficiency growing by 4% and earnings per share (EPS) increasing by 2%. These figures highlight Hindustan Unilever's ability to not only grow revenue but also significantly improve profitability margins, showcasing strong management effectiveness and strategic financial planning.

**Hindustan Unilever's Challenging Quarter: Navigating Market Pressures in MQ'24:** Hindustan Unilever Limited faced a challenging market environment in the mid-quarter of 2024, as reflected in their mixed financial results. The company recorded a modest 1% increase in underlying sales growth and a 2% rise in underlying volume growth, indicating some resilience in consumer demand. However, the EBITDA margin experienced a slight contraction, decreasing by 30 basis points year-over-year to 23.4%. This dip in profitability metrics suggests pressures on cost management and possibly higher input costs. Furthermore, the Profit After Tax (PAT) showed a noticeable decline, falling by 6% from the previous year, with a before exceptional items (bei) drop of 3%, amounting to ₹2,396 crores. These figures underscore the challenges Hindustan Unilever is facing in maintaining profitability in a tightening economic landscape.

**Diverse Performance Across Segments: Hindustan Unilever's MQ'24 Review:** In MQ'24, Hindustan Unilever Limited showcased varied performance across its key business segments. The Home Care segment managed a stable growth with a revenue of INR 5,715 crores, achieving a 1% increase in underlying sales and mid-single digit growth in volume, reflecting consistent consumer demand for these essentials. The segment's margins stood at 19%, maintaining a strong profitability profile. Conversely, the Beauty & Personal Care segment faced a slight downturn, with sales declining by 2% to INR 5,050 crores, though maintaining flat volume growth, which might suggest pricing pressures or competitive challenges impacting revenue. However, it maintained a higher margin of 26%, indicating effective cost management strategies. The Foods & Refreshment segment, representing 25% of the portfolio, saw a healthier performance with a 4% increase in sales to INR 3,911 crores and maintained flat volume growth, alongside a 19% profit margin, indicating robust demand in this category. This segmented approach highlights the company's strategic adaptability in navigating varied market dynamics across different consumer goods categories.

**Strategic Resilience Amid Economic Fluctuations: Hindustan Unilever's Financial Adaptations in MQ'24:** Despite economic challenges, Hindustan Unilever Limited managed to maintain a healthy EBITDA margin of 23.4% in MQ'24, although slightly down by 30 basis points year-over-year. The company's financial resilience is further highlighted by a significant 350 basis points improvement in gross margin, reaching 51.3%. This improvement is largely attributed to enhanced net productivity and a strategic mix improvement. Notably, the firm ramped up its advertising and promotional efforts, increasing digital spend by 60%, which reflects a 200 basis points investment, aiming to strengthen brand presence and consumer engagement in a digital-centric market. Additionally, investments in employee benefits and other expenses grew by 120 basis points, focusing on capability building and royalty adjustments. However, some operational challenges were noted, such as a 60 basis points headwind from the termination of GSK consignment selling, which impacted other operating income, stabilizing at 1.1%. These financial maneuvers indicate Hindustan Unilever's proactive strategies to navigate through market volatilities while investing in growth and operational excellence.

**Strategic Recovery in Gross Margin: Hindustan Unilever's Fiscal Year 2024 Journey:** Hindustan Unilever's FY'24 marked a significant turnaround in gross margin recovery, showcasing a sharp increase of 430 basis points, following a steep decline in previous years. This recovery was driven by a series of strategic adjustments across the company's operations. Notably, the price coverage saw improvements in FY'24 after consecutive declines, indicating a stronger alignment with market dynamics and consumer price sensitivity. Similarly, the product mix improvement in FY'24 reversed the downward trend, largely due to premiumisation efforts that enhanced the value proposition of products offered. Additionally, a portfolio change marked by strategic shifts in FY'23 continued to stabilize, supporting the overall margin recovery. These efforts were underpinned by enhanced end-to-end net productivity, with a focus on right price-value equations through 'Net Revenue Management', simplification processes, digital acceleration, and maintaining cost competitiveness. This comprehensive strategy not only countered previous losses but also positioned the company for sustainable profitability.

**Navigating Market Trends: Hindustan Unilever's FY'24 Segmental Analysis:** In FY'24, Hindustan Unilever Limited displayed differentiated growth dynamics across its major segments. The Home Care segment led with a robust turnover of INR 21,900 crores, achieving an underlying sales growth of 3% and mid-single digit volume growth. This segment, accounting for 36% of the portfolio, maintained a healthy 18% profit margin, reflecting strong market demand and effective cost management. Meanwhile, the Beauty & Personal Care segment contributed INR 22,165 crores to the revenue, growing by 2% despite only low-single digit volume growth, and boasted a higher margin of 26%. This suggests a strategic focus on high-margin products and perhaps premiumization within the segment. Conversely, the Foods & Refreshment segment experienced a turnover of INR 15,292 crores but faced a slight decline in volume, indicating a low-single digit decrease. Despite this, the segment retained a 19% margin, underscoring the company's ability to maintain profitability even in challenging market conditions. These results highlight Hindustan Unilever's strategic agility in navigating diverse consumer needs and market fluctuations across its portfolio.

**Strengthening Shareholder Returns: Hindustan Unilever's Enhanced Dividend Proposal for FY'24**

Hindustan Unilever Limited has proposed an increased dividend for FY'24, reflecting its commitment to delivering shareholder value amid solid financial performance. The dividend per share has been raised to ₹42 from ₹39 in FY'23, marking a noticeable increase. This increase is broken down into an interim dividend of ₹18 per share, up from ₹17, and a final dividend of ₹24 per share, up from ₹22. Consequently, the total dividend payout for FY'24 amounts to ₹9,868 crores, compared to ₹9,163 crores in the previous fiscal year. This move not only signifies the company's robust financial health and confidence in sustained profitability but also aims to reward shareholders with a higher return on investment, strengthening their trust and commitment to the company's growth trajectory.

**Forward-Looking Strategies: Hindustan Unilever's Vision for Near-Term Growth**

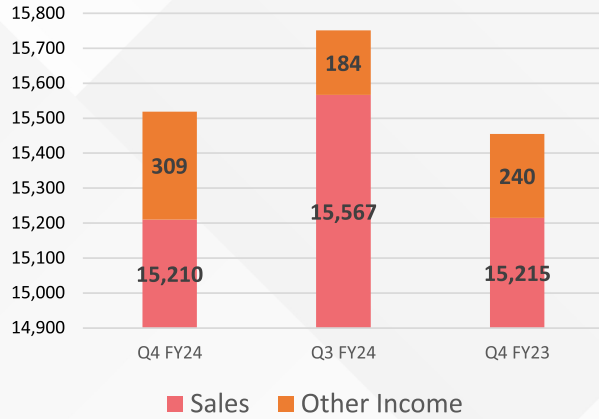
Hindustan Unilever Limited remains optimistic about its near-term growth, expecting an upward trajectory in FMCG demand, buoyed by improving macro-economic indicators and anticipated positive impacts from better monsoons. The company forecasts that price growth might see a low-single digit decline if commodity prices stabilize at current levels. In terms of strategic priorities, Hindustan Unilever is focused on driving competitive volume-led growth and has initiated specific measures to enhance the performance of its Skin Cleansing segment. Moreover, the company is committed to unlocking new growth avenues and increasing investments in its brand portfolio and long-term strategic objectives. This comprehensive approach is designed to maintain the EBITDA margin at its current robust levels, ensuring sustained profitability and market leadership in the face of dynamic economic conditions.

**Strategic Positioning for Future Growth: Hindustan Unilever's Long-Term Outlook**

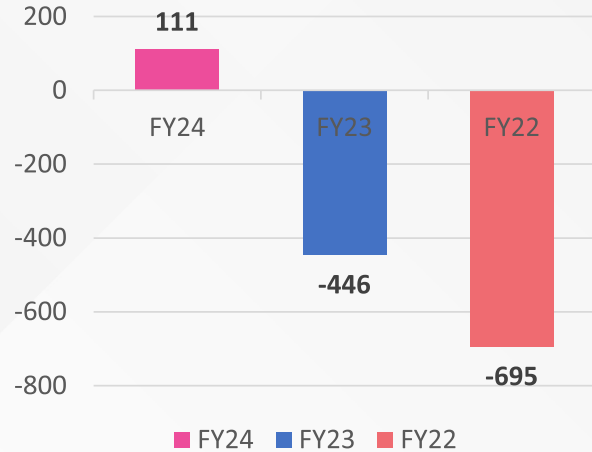
Hindustan Unilever Limited (HUL) is strategically positioned to capitalize on India's dynamic growth landscape. As the fastest growing major economy, India presents a fertile ground for the FMCG sector, driven by the rise of affluent households and a rapid digital revolution. Despite the current under-indexed per-capita FMCG consumption, these factors forecast a significant growth opportunity for companies like HUL. The company is well-equipped to leverage this potential due to its broad and resilient product portfolio that spans across various price points, catering to a diverse consumer base. Furthermore, HUL boasts a deep distribution network and agile, future-fit supply chain capabilities, which are crucial for maintaining competitive advantage. Additionally, its strong talent pool and enduring corporate culture further solidify its market position, preparing it to meet future demands effectively and sustain its leadership in the evolving market.

**Analysis of Hindustan Unilever Limited Financial Results:** Hindustan Unilever Limited (HUL) experienced a mixed financial performance in MQ'24 compared to MQ'23. Sales saw a marginal increase of 1% year-on-year, rising from ₹14,638 crores to ₹14,693 crores. Despite this slight growth in sales, the company faced a slight reduction in EBITDA by 1%, dropping from ₹3,471 crores to ₹3,435 crores. The EBITDA margin also contracted by 30 basis points, indicating a slight decrease in operational efficiency from 23.7% to 23.4%. Furthermore, HUL reported a notable decline in net profit by 6%, with figures moving from ₹2,552 crores in MQ'23 to ₹2,406 crores in MQ'24. This decrease in profitability could be attributed to a decrease in other income and an adverse shift in exceptional items, which changed from a gain of ₹80 crores last year to a loss of ₹17 crores. Overall, these results highlight some challenges in cost management and profitability despite maintaining steady sales growth. Hindustan Unilever Limited (HUL) demonstrated solid financial growth in the fiscal year 2024, as evidenced by its annual financial results. The company reported a 3% increase in sales, climbing from ₹58,154 crores in FY'23 to ₹59,579 crores in FY'24. EBITDA grew by 4%, with figures moving from ₹13,632 crores to ₹14,190 crores. Notably, the EBITDA margin improved significantly by 40 basis points from 23.4% to 23.8%, reflecting better operational efficiency. Other income also saw an increase, rising from ₹539 crores to ₹671 crores. Despite some challenges with exceptional items which worsened from a loss of ₹62 crores to ₹89 crores, the profit before tax (PBT) and net profit both showed positive trends, with PBT increasing by 5% and net profit by 2%. This overall financial improvement underscores HUL's ability to enhance profitability and maintain growth momentum amid varying market conditions.

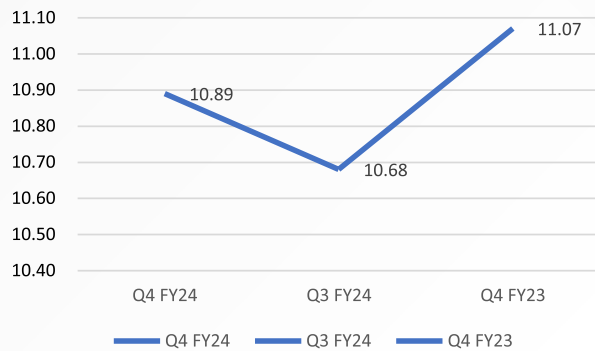
**Sales & Other Income (In Cr)**



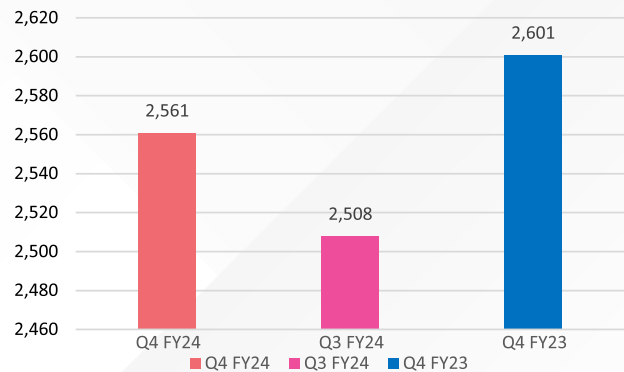
**Cashflow (In Cr)**



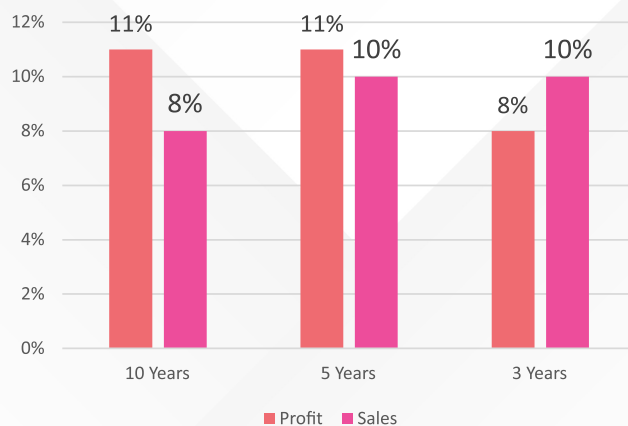
**EPS**



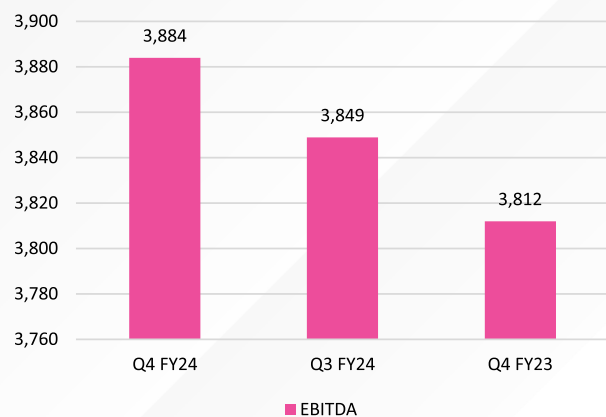
**Net Profit (In Cr)**



**Compounded Growth (In %)**



**EBITDA (In Cr)**



## Technical Outlook



The weekly chart for Hindustan Unilever Ltd depicts a clear display of resistance and support levels which have significantly influenced the stock's price movement over several years. After a strong upward trend until early 2018, the stock entered a phase of consolidation with marked resistance around the 2900 level and support near the 2100 level. This sideways movement reflects a balance between supply and demand, typical of a mature and stable company in the consumer goods sector. Throughout 2020 and beyond, the stock has tested these boundaries multiple times, with sharp pullbacks from the upper resistance and strong rebounds from the lower support, demonstrating a well-established trading range. The stock's failure to break through the upper resistance level at 2900 multiple times has led to a range-bound behavior.

The moving averages for Hindustan Unilever Ltd show a mixed trend, with short-term averages like the 5 and 10-day above the longer-term 100 and 200-day averages, suggesting recent bullish behavior but potential volatility ahead due to the crossing of these averages.

The RSI readings for Hindustan Unilever Ltd show diverging trends, with a daily RSI of 58.45 suggesting moderate bullish momentum, while the weekly RSI at 44.23 indicates underlying bearish sentiment over a longer period, suggesting a mixed market view.

| Moving Averages Days | Simple Moving Average | Exponential Moving Average |
|----------------------|-----------------------|----------------------------|
| 5                    | 2,353.9               | 2,338.8                    |
| 10                   | 2,292.5               | 2,310.4                    |
| 20                   | 2,261.9               | 2,288.0                    |
| 50                   | 2,298.1               | 2,307.8                    |
| 100                  | 2,398.4               | 2,365.1                    |
| 200                  | 2,460.1               | 2,430.4                    |

| Pivot Levels : FIBONACCI |                  |            | Daily                                            | Weekly |
|--------------------------|------------------|------------|--------------------------------------------------|--------|
| R1 2,378.9               | Pivot<br>2366.40 | S1 2,345.2 | Relative<br>Strength<br>Index (RSI)<br><br>58.45 | 44.23  |
| R2 2,397.2               |                  | S2 2,329.7 |                                                  |        |
| R3 2,412.7               |                  | S3 2,311.4 |                                                  |        |

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