

India

HOLD (no change)

Consensus ratings*: Buy 29 Hold 12 Sell 3

Current price:	Rs2,325
Target price:	Rs2,525
Previous target:	Rs2,530
Up/downside:	8.6%
InCred Research / Consensus:	-2.3%
Reuters:	HLL.NS
Bloomberg:	HUVR IN
Market cap:	US\$64,073m
	Rs5,463,505m
Average daily turnover:	US\$52.2m
	Rs4447.5m
Current shares o/s:	2,350.0m
Free float:	38.1%

*Source: Bloomberg

Key changes in this note

- Lower TP to Rs2,525 from Rs2,530.
- Lower FY26F/27F EPS by 3-4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.1	(1.8)	3.3
Relative (%)	0.8	(6.3)	(3.8)

Major shareholders	% held
Unilever PLC	61.9
LIC	5.6
SBI MF	1.8

Hindustan Unilever Ltd

Prefers growth over profitability

- HUVR posted 2%/2.4% UVG/value growth in 4QFY25. Corrective steps have been taken in portfolio laggards & the focus shifts towards alternate channels.
- Management commentary points towards lower gross margin in the near term due to which the EBITDA margin is expected to stay in the range of 22-23%.
- We expect the near-term demand environment to remain weak for HUVR. We have cut FY26F/27F EPS by 3-4%. Retain HOLD with a lower TP of Rs2,525.

Weakness in overall demand persists; focus shifts to growth

Hindustan Unilever (HUVR) posted 2% underlying volume growth (UVG) in 4QFY25 (compared to +2%/0% growth in 4QFY24/3QFY25, respectively), with sales growth at 2.4%. The home care segment's growth moderated to 3% yoy. The beauty and wellbeing (B&W) segment posted 3% growth led by newer launches, driven by its market-maker portfolio – Rs70bn in value & alternate channels. The mass skincare category continued to decline. The personal care segment grew by 3% yoy led by pricing growth in soaps and oral care products. The foods segment declined 1% yoy due to slower growth in beverages and the sustained fall in the nutrition drinks portfolio. The overall demand environment remained subdued, with moderation in urban markets & rural markets continuing their gradual recovery. Management commentary pointed towards focusing on driving growth in channels and categories of the future over protecting margins, leading to a 100bp reduction in the guided EBITDA margin band to 22-23% (from 23-24% targeted earlier).

Corrective steps are underway to address laggards

HUVR has taken some measures such as relaunching core brands like Lifebuoy and Glow & Lovely which will aid better recovery. Within home care, HUVR has been focusing aggressively on liquid offerings, which has yielded success. Nutritional drinks remained a laggard and HUVR has taken corrective steps like reducing the price gap between sachets and larger packs, focus on enhancing nutritional benefits, building up the specialist nutrition range and expanding Boost brand into RTD formats. Management commentary also pointed towards focusing more on alternate channels, especially quick commerce (c.2% of HUVR's domestic sales) in some segments to drive premiumization.

Near-term challenges persist; maintain HOLD rating

Management guidance hinted towards 1HFY26F being better than 2HFY25, supported by improving macros, focus on reviving growth in laggards of the portfolio going ahead as well as capturing new demand spaces to drive consistent growth. Considering these developments, we have cut FY26F/27F EPS by 3.5%/3.2%, respectively, and assigned a lower target price of Rs2,525 (50x FY27F EPS) as we roll forward, maintaining our HOLD rating on HUVR. Downside risks: Adverse impact, if any, from the ongoing retaliation by All India Consumer Products Distributors Federation members. Upside risks: Higher-than-expected gross/EBITDA margins due to softening raw material price inflation.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	591,440	604,690	614,690	654,180	711,590
Operating EBITDA (Rsm)	136,320	141,900	142,890	149,220	164,393
Net Profit (Rsm)	99,000	100,253	110,660	107,837	118,708
Core EPS (Rs)	42.3	42.9	45.8	45.9	50.5
Core EPS Growth	12.9%	1.4%	6.5%	0.3%	10.1%
FD Core P/E (x)	55.20	54.51	49.38	50.67	46.03
DPS (Rs)	34.0	39.0	39.0	41.1	45.3
Dividend Yield	1.46%	1.68%	1.68%	1.77%	1.95%
EV/EBITDA (x)	39.56	37.71	37.52	36.18	32.76
P/FCFE (x)	60.36	46.74	44.61	92.38	45.80
Net Gearing	(12.3%)	(20.3%)	(19.1%)	(11.2%)	(13.4%)
P/BV (x)	10.88	10.72	11.12	10.87	10.61
ROE	20.1%	19.9%	21.5%	21.7%	23.3%
% Change In Core EPS Estimates				(3.22%)	(3.20%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Choosing growth over profitability

Figure 1: Quarterly results summary - standalone

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	1,48,570	1,54,080	1,52,140	2.4	-1.3	6,04,690	6,14,690	1.7
Expenditure	1,14,220	1,18,380	1,17,510	2.9	-0.7	4,62,790	4,71,830	2.0
Consumption of raw materials	71,510	76,010	75,370	5.4	-0.8	2,93,270	3,01,790	2.9
as % of sales	48.1	49.3	49.5			48.5	49.1	
Employee costs	7,740	6,840	7,890	1.9	15.4	27,820	28,400	2.1
as % of sales	5.2	4.4	5.2			4.6	4.6	-0.02
Advertising & promotion expenses	15,860	14,660	14,540	-8.3	-0.8	63,800	60,280	-5.5
as % of sales	10.7	9.5	9.6			10.6	9.8	-1.12
Other expenditure	19,110	20,870	19,710	3.1	-5.6	77,900	81,360	4.4
as % of sales	12.9	13.5	13.0			12.9	13.2	0.09
EBITDA	34,350	35,700	34,630	0.8	-3.0	1,41,900	1,42,860	0.7
Depreciation	2,890	3,080	3,130	8.3	1.6	10,970	12,240	11.6
EBIT	31,460	32,620	31,500	0.1	-3.4	1,30,930	1,30,620	-0.2
Other income	2,200	3,120	2,990	35.9	-4.2	9,730	11,770	21.0
Interest	1,020	1,050	750	-26.5	-28.6	3,020	3,640	20.5
PBT	32,640	34,690	33,740	3.4	-2.7	1,37,640	1,38,750	0.8
Total tax	8,410	9,770	8,610	2.4	-11.9	35,610	36,560	2.7
APAT	24,230	24,920	25,130	3.7	0.8	1,02,030	1,02,190	0.2
Extraordinary items	-170	5,090	-230	NA	NA	-890	4,220	NA
Reported PAT	24,060	30,010	24,900	3.5	-17.0	1,01,140	1,06,410	5.2
EPS	10.2	12.8	10.6	3.5	-17.0	43.0	45.3	5.2
Margins (%)	4QFY24	3QFY25	4QFY25	(bp)	(bp)	FY24	FY25	(bp)
Gross margin	51.9	50.7	50.5	-140	-20	51.5	50.9	-60
EBITDA	23.1	23.2	22.8	-40	-40	23.5	23.2	-20
EBIT	21.2	21.2	20.7	-50	-50	21.7	21.2	-40
EBT	22.0	22.5	22.2	20	-30	22.8	22.6	-20
PAT	16.3	16.2	16.5	20	30	16.9	16.6	-20
Effective tax rate	25.8	28.2	25.5	-20	-260	25.9	26.3	50

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segment-wise performance - standalone

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Segment Revenue								
Home Care	57,150	57,420	58,180	1.8	1.3	2,19,000	2,29,720	4.9
Beauty & Wellbeing	29,870	34,380	31,130	4.2	-9.5	1,27,540	1,30,730	2.5
Personal Care	20,630	22,460	21,240	3.0	-5.4	94,110	91,680	(2.6)
Foods & Refreshments	39,110	37,452	38,960	-0.4	4.0	1,52,920	1,52,940	0.0
Others	1,810	2,370	2,630	45.3	11.0	11,120	9,620	(13.5)
Total	1,48,570	1,54,082	1,52,140	2.4	-1.3	6,04,690	6,14,690	1.7
Segment Results								
Home Care	10,810	10,540	10,560	-2.3	0.2	40,330	43,060	6.8
Beauty & Wellbeing	9,170	10,120	10,370	13.1	2.5	41,650	41,760	0.3
Personal Care	3,710	3,950	3,920	5.7	-0.8	16,370	16,060	(1.9)
Foods & Refreshments	7,390	7,550	6,270	-15.2	-17.0	28,300	28,080	(0.8)
Others	380	460	410	7.9	-10.9	4,070	1,690	(58.5)
Total	31,460	32,620	31,530	0.2	-3.3	1,30,720	1,30,650	(0.1)
Add- Unall. income / (expenses)	2,200	3,120	2,990	35.9	-4.2	9,730	11,770	21.0
Less- Interest expenses	-1,020	-1,050	-750	-26.5	-28.6	-3,020	-3,640	20.5
Less- Exceptional items	-170	5,090	-230	NA	NA	-890	4,220	NA
PBIT	32,470	39,780	33,540	3.3	-15.7	1,36,540	1,43,000	4.7
Segment-wise EBIT margin (%)				(bp)	(bp)			(bp)
Home Care	18.9	18.4	18.2	-80	-20	18.4	18.7	30
Beauty & Wellbeing	30.7	29.4	33.3	260	390	32.7	31.9	-70
Personal Care	18.0	17.6	18.5	50	90	17.4	17.5	10
Foods & Refreshments	18.9	20.2	16.1	-280	-410	18.5	18.4	-10
Others	21.0	19.4	15.6	-540	-380	36.6	17.6	-1900
Average	21.2	21.2	20.7	-50	-40	21.6	21.3	-40

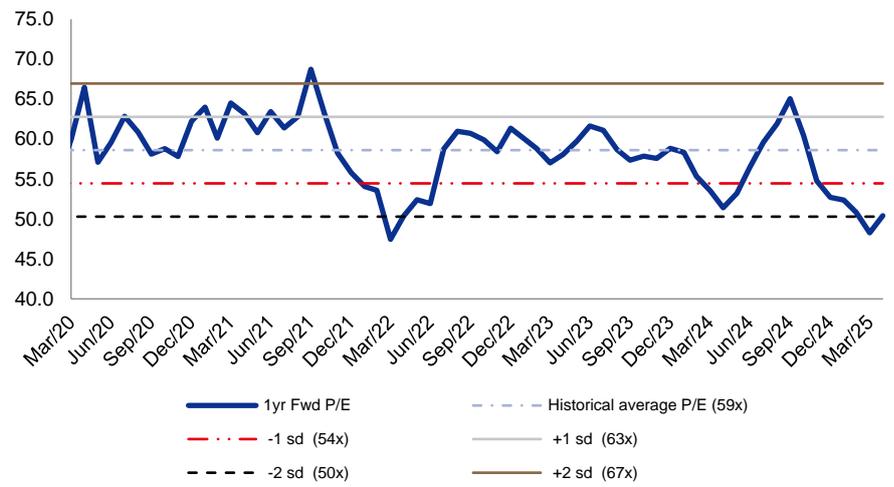
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net sales	6,17,872	6,14,690	(0.5)	6,57,674	6,54,180	(0.5)	7,15,561	7,11,590	(0.6)
EBITDA	1,44,354	1,42,890	(1.0)	1,55,715	1,49,220	(4.2)	1,70,406	1,64,393	(3.5)
EBITDA margin (%)	23.4	23.2	-10 bp	23.7	22.8	-90 bp	23.8	23.1	-70 bp
APAT	1,03,386	1,02,220	(1.1)	1,11,751	1,07,837	(3.5)	1,22,679	1,18,708	(3.2)
EPS (Rs)	44.0	43.5	(1.1)	47.6	45.9	(3.5)	52.2	50.5	(3.2)

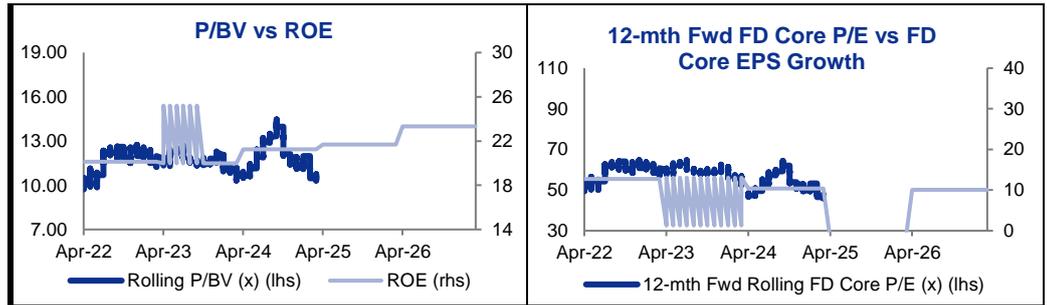
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: HUVR's one-year forward P/E trades at -2SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	591,440	604,690	614,690	654,180	711,590
Gross Profit	280,000	311,420	312,930	338,922	370,088
Operating EBITDA	136,320	141,900	142,890	149,220	164,393
Depreciation And Amortisation	(10,300)	(10,970)	(12,240)	(11,900)	(12,750)
Operating EBIT	126,020	130,930	130,650	137,320	151,643
Financial Income/(Expense)	3,240	2,490	3,023	3,779	3,849
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,150	4,223	5,107	5,618	6,015
Profit Before Tax (pre-EI)	131,410	137,643	138,780	146,717	161,508
Exceptional Items	(620)	(890)	4,220		
Pre-tax Profit	130,790	136,753	143,000	146,717	161,508
Taxation	(31,170)	(35,610)	(36,560)	(38,880)	(42,800)
Exceptional Income - post-tax					
Profit After Tax	99,620	101,143	106,440	107,837	118,708
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(620)	(890)	4,220		
Net Profit	99,000	100,253	110,660	107,837	118,708
Recurring Net Profit	99,472	100,911	107,519	107,837	118,708
Fully Diluted Recurring Net Profit	99,472	100,911	107,519	107,837	118,708

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	136,320	141,900	142,890	149,220	164,393
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(8,660)	42,650	12,830	(48,086)	349
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(620)	(890)	4,220		
Other Operating Cashflow	6,400	9,733	11,770	12,947	13,564
Net Interest (Paid)/Received	(1,010)	(3,020)	(3,640)	(3,550)	(3,700)
Tax Paid	(31,170)	(35,610)	(36,560)	(38,880)	(42,800)
Cashflow From Operations	101,260	154,763	131,510	71,651	131,807
Capex	(14,010)	(20,850)	(17,930)	(12,500)	(12,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	3,280	(16,990)	8,910		
Cash Flow From Investing	(10,730)	(37,840)	(9,020)	(12,500)	(12,500)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(84,590)	(93,980)	(124,530)	(96,686)	(106,433)
Preferred Dividends					
Other Financing Cashflow	1,420	1,647	1,180		
Cash Flow From Financing	(83,170)	(92,333)	(123,350)	(96,686)	(106,433)
Total Cash Generated	7,360	24,590	(860)	(37,535)	12,874
Free Cashflow To Equity	90,530	116,923	122,490	59,151	119,307
Free Cashflow To Firm	91,540	119,943	126,130	62,701	123,007

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	72,330	117,260	109,070	79,085	92,759
Total Debtors	27,350	26,900	34,500	35,383	42,346
Inventories	40,310	38,120	41,610	40,690	48,120
Total Other Current Assets	45,370	45,710	49,440	49,208	49,520
Total Current Assets	185,360	227,990	234,620	204,367	232,745
Fixed Assets	349,900	359,780	365,470	366,070	365,820
Total Investments	9,830	9,830	9,880	9,880	9,880
Intangible Assets	173,160	173,160	173,160	173,160	173,160
Total Other Non-Current Assets	(63,250)	(64,540)	(65,830)	(65,830)	(65,830)
Total Non-current Assets	469,640	478,230	482,680	483,280	483,030
Short-term Debt	2,930	3,400	3,800	3,800	3,800
Current Portion of Long-Term Debt					
Total Creditors	125,260	163,950	188,700	145,263	158,912
Other Current Liabilities					
Total Current Liabilities	128,190	167,350	192,500	149,063	162,712
Total Long-term Debt	7,460	10,340	11,570	19,120	19,920
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	7,460	10,340	11,570	19,120	19,920
Total Provisions	17,140	18,800	21,700	16,783	18,187
Total Liabilities	152,790	196,490	225,770	184,966	200,819
Shareholders Equity	502,210	509,730	491,530	502,681	514,956
Minority Interests					
Total Equity	502,210	509,730	491,530	502,681	514,956

Key Ratios					
	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	15.5%	2.2%	1.7%	6.4%	8.8%
Operating EBITDA Growth	9.0%	4.1%	0.7%	4.4%	10.2%
Operating EBITDA Margin	23.0%	23.5%	23.2%	22.8%	23.1%
Net Cash Per Share (Rs)	26.36	44.05	39.87	23.90	29.38
BVPS (Rs)	213.71	216.91	209.16	213.91	219.13
Gross Interest Cover	124.77	43.35	35.89	38.68	40.98
Effective Tax Rate	23.8%	26.0%	25.6%	26.5%	26.5%
Net Dividend Payout Ratio	80.2%	90.6%	86.1%	89.7%	89.7%
Accounts Receivables Days	14.40	16.37	18.23	19.50	19.93
Inventory Days	46.42	48.81	48.22	47.64	47.46
Accounts Payables Days	143.59	179.97	213.28	193.33	162.55
ROIC (%)	28.2%	31.5%	31.9%	30.3%	33.4%
ROCE (%)	25.8%	26.3%	26.7%	28.0%	29.9%
Return On Average Assets	14.9%	14.5%	14.5%	14.8%	16.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.