

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**

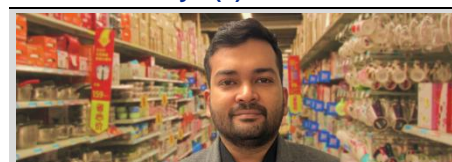
Hindustan Unilever (HUVR) posted 2% underlying volume growth (UVG) in 4QFY25 (compared to +2%/0% growth in 4QFY24/3QFY25, respectively), with sales growth at 2.4%. The home care segment's growth moderated to 3% yoy. The beauty and wellbeing (B&W) segment posted 3% growth led by newer launches, driven 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 (%)
<b>Revenue</b>	<b>1,48,570</b>	<b>1,54,080</b>	<b>1,52,140</b>	<b>2.4</b>	<b>-1.3</b>	<b>6,04,690</b>	<b>6,14,690</b>	<b>1.7</b>
<b>Expenditure</b>	<b>1,14,220</b>	<b>1,18,380</b>	<b>1,17,510</b>	<b>2.9</b>	<b>-0.7</b>	<b>4,62,790</b>	<b>4,71,830</b>	<b>2.0</b>
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
<b>EBITDA</b>	<b>34,350</b>	<b>35,700</b>	<b>34,630</b>	<b>0.8</b>	<b>-3.0</b>	<b>1,41,900</b>	<b>1,42,860</b>	<b>0.7</b>
Depreciation	2,890	3,080	3,130	8.3	1.6	10,970	12,240	11.6
<b>EBIT</b>	<b>31,460</b>	<b>32,620</b>	<b>31,500</b>	<b>0.1</b>	<b>-3.4</b>	<b>1,30,930</b>	<b>1,30,620</b>	<b>-0.2</b>
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
<b>PBT</b>	<b>32,640</b>	<b>34,690</b>	<b>33,740</b>	<b>3.4</b>	<b>-2.7</b>	<b>1,37,640</b>	<b>1,38,750</b>	<b>0.8</b>
Total tax	8,410	9,770	8,610	2.4	-11.9	35,610	36,560	2.7
<b>APAT</b>	<b>24,230</b>	<b>24,920</b>	<b>25,130</b>	<b>3.7</b>	<b>0.8</b>	<b>1,02,030</b>	<b>1,02,190</b>	<b>0.2</b>
Extraordinary items	-170	5,090	-230	NA	NA	-890	4,220	NA
<b>Reported PAT</b>	<b>24,060</b>	<b>30,010</b>	<b>24,900</b>	<b>3.5</b>	<b>-17.0</b>	<b>1,01,140</b>	<b>1,06,410</b>	<b>5.2</b>
<b>EPS</b>	<b>10.2</b>	<b>12.8</b>	<b>10.6</b>	<b>3.5</b>	<b>-17.0</b>	<b>43.0</b>	<b>45.3</b>	<b>5.2</b>
<b>Margins (%)</b>	<b>4QFY24</b>	<b>3QFY25</b>	<b>4QFY25</b>	<b>(bp)</b>	<b>(bp)</b>	<b>FY24</b>	<b>FY25</b>	<b>(bp)</b>
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

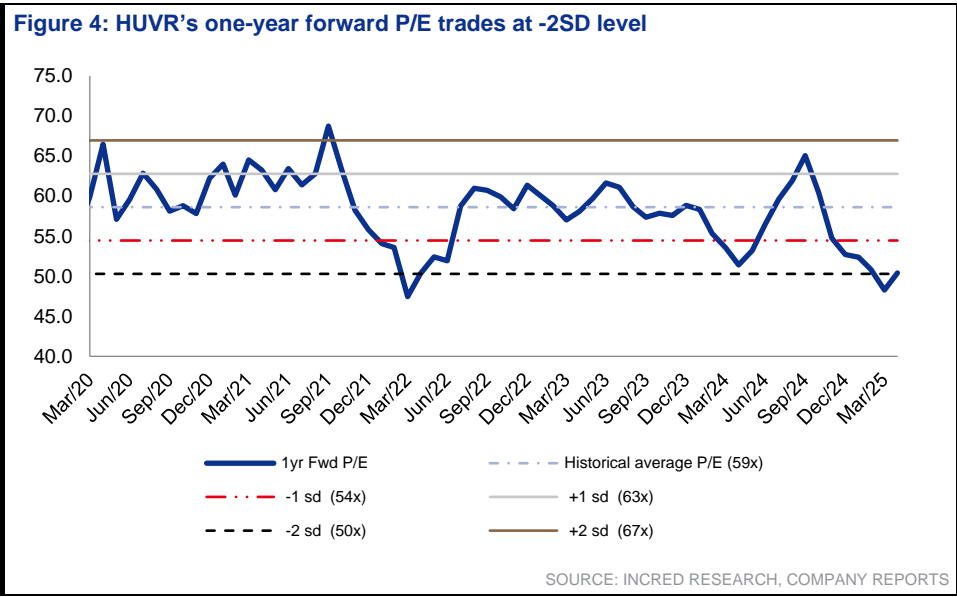
Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
<b>Segment Revenue</b>								
Home Care	57,150	57,420	58,180	1.8	1.3	2,19,000	2,29,720	4.9
Beauty & Wellbeing	29,870	34,380	31,130	4.2	-9.5	1,27,540	1,30,730	2.5
Personal Care	20,630	22,460	21,240	3.0	-5.4	94,110	91,680	(2.6)
Foods & 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)
<b>Total</b>	<b>1,48,570</b>	<b>1,54,082</b>	<b>1,52,140</b>	<b>2.4</b>	<b>-1.3</b>	<b>6,04,690</b>	<b>6,14,690</b>	<b>1.7</b>
<b>Segment Results</b>								
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)
<b>Total</b>	<b>31,460</b>	<b>32,620</b>	<b>31,530</b>	<b>0.2</b>	<b>-3.3</b>	<b>1,30,720</b>	<b>1,30,650</b>	<b>(0.1)</b>
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
<b>PBIT</b>	<b>32,470</b>	<b>39,780</b>	<b>33,540</b>	<b>3.3</b>	<b>-15.7</b>	<b>1,36,540</b>	<b>1,43,000</b>	<b>4.7</b>
<b>Segment-wise EBIT margin (%)</b>				<b>(bp)</b>	<b>(bp)</b>			<b>(bp)</b>
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
<b>Average</b>	<b>21.2</b>	<b>21.2</b>	<b>20.7</b>	<b>-50</b>	<b>-40</b>	<b>21.6</b>	<b>21.3</b>	<b>-40</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

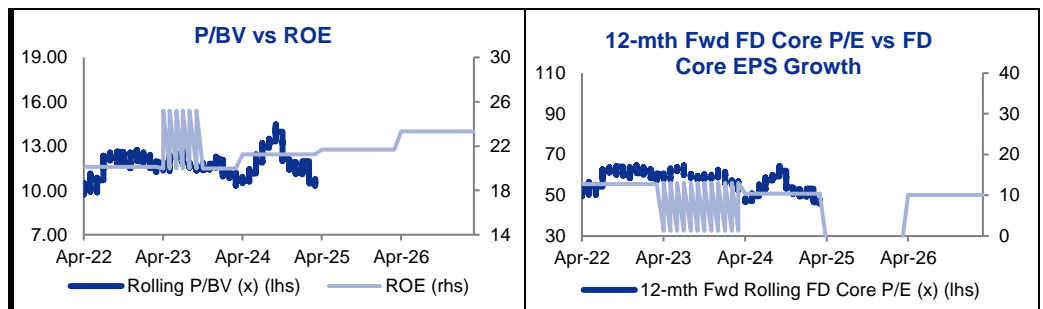
Figure 3: Our revised earnings estimates

	FY25F				FY26F				FY27F		
Y/E Mar (Rs m)	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



## BY THE NUMBERS



### Profit & Loss

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

### Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>136,320</b>	<b>141,900</b>	<b>142,890</b>	<b>149,220</b>	<b>164,393</b>
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)
<b>Cashflow From Operations</b>	<b>101,260</b>	<b>154,763</b>	<b>131,510</b>	<b>71,651</b>	<b>131,807</b>
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		
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(10,730)</b>	<b>(37,840)</b>	<b>(9,020)</b>	<b>(12,500)</b>	<b>(12,500)</b>
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		
<b>Cash Flow From Financing</b>	<b>(83,170)</b>	<b>(92,333)</b>	<b>(123,350)</b>	<b>(96,686)</b>	<b>(106,433)</b>
Total Cash Generated	7,360	24,590	(860)	(37,535)	12,874
<b>Free Cashflow To Equity</b>	<b>90,530</b>	<b>116,923</b>	<b>122,490</b>	<b>59,151</b>	<b>119,307</b>
<b>Free Cashflow To Firm</b>	<b>91,540</b>	<b>119,943</b>	<b>126,130</b>	<b>62,701</b>	<b>123,007</b>

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
<b>Total Current Assets</b>	<b>185,360</b>	<b>227,990</b>	<b>234,620</b>	<b>204,367</b>	<b>232,745</b>
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)
<b>Total Non-current Assets</b>	<b>469,640</b>	<b>478,230</b>	<b>482,680</b>	<b>483,280</b>	<b>483,030</b>
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					
<b>Total Current Liabilities</b>	<b>128,190</b>	<b>167,350</b>	<b>192,500</b>	<b>149,063</b>	<b>162,712</b>
Total Long-term Debt	7,460	10,340	11,570	19,120	19,920
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>7,460</b>	<b>10,340</b>	<b>11,570</b>	<b>19,120</b>	<b>19,920</b>
Total Provisions	17,140	18,800	21,700	16,783	18,187
<b>Total Liabilities</b>	<b>152,790</b>	<b>196,490</b>	<b>225,770</b>	<b>184,966</b>	<b>200,819</b>
Shareholders Equity	502,210	509,730	491,530	502,681	514,956
Minority Interests					
<b>Total Equity</b>	<b>502,210</b>	<b>509,730</b>	<b>491,530</b>	<b>502,681</b>	<b>514,956</b>

### 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.