

Retail Equity Research

Hindustan Unilever Limited

Household Products

BSE CODE: 500696

NSE CODE: HINDUNILVR

Bloomberg CODE: HUVR:IN

SENSEX: 48,719

BUY

12M Investment period Rating as per Large Cap
CMP Rs. 2,407 TARGET Rs. 2,710 RETURN 13% ↑
(Closing: 03-05-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Growth momentum continues; outlook positive

Hindustan Unilever (HUL), a subsidiary of Unilever PLC, is India's leading FMCG Company. It has over 35 brands spanning across 20 distinct categories, such as soaps, detergents, shampoos and skin care.

- HUVR's Q4FY21 revenue grew by 34.6% YoY to Rs. 12,132cr with double digit growth contribution from all the segments on the back of improved product penetration supported by demand pickup due to improved economic activity.
- EBITDA Margin stood at 24.4% expanding 145bps YoY, despite rising commodity prices, primarily on account of calibrated price revisions.
- Continued strong demand in Rural areas supported by decent urban demand recovery improves the outlook of the business in near-term. Despite uncertainty arising due to increase in COVID cases, we believe the company is well-placed in terms of demand planning & supply chain management. Therefore, we maintain our BUY rating on the stock with a target price of Rs. 2,710 based on 58x FY23E adj. EPS.

Strong recovery in BPC, HC drives revenue growth

HUVR's revenue grew by 34.6% YoY (+2.3% QoQ) to Rs. 12,132cr, supported by double-digit growth in all the segments and increased penetration in rural markets. Foods & Refreshments (F&R) segment continued the growth momentum (+96.4% YoY to Rs. 3,511cr), on the back of strong demand coupled with good price- volume mix on successful integration of Nutrition business. Beauty & Personal Care (BPC) segment grew by 19.7% YoY to Rs. 4,549cr as mobility increased in most of the cities. Homecare segment also recovered sharply posting 14.6% YoY revenue growth (Rs. 3,840cr in Q4FY21 vs Rs. 3,350cr in Q4FY20). Operating Margins for BPC, F&R and Home care segments in Q4FY21 stood at 27.5%, 16.4% and 21.1% respectively (vs. 24.9%, 12.6% and 19% in Q4FY20).

Margins remain stable despite raw-material prices hike

In Q4FY21, HUVR's EBITDA increased by 43.2% YoY to Rs. 2,957cr (vs. Rs. 2,065cr in Q4FY20) along with an expansion of 145bps in EBITDA margin (24.4% vs 22.9% in Q4FY20). However, considering the COVID impact on the base quarter, with a sequential expansion of 31bps, EBITDA margin remains to be largely stable. Adj. PAT grew by 35.0% YoY to Rs. 2,129cr (vs Rs. 1,577cr in Q4FY20).

Key concall highlights

- Board announced a final dividend of Rs. 17 per share in Q4, taking total dividend to Rs. 31 per share for FY21 (excluding Rs. 9.5 per share special dividend).
- E-commerce channel, termed as highly profitable, continued to improve contributing around 6% to the overall revenue in FY21.
- HUVR launched INR2 sachets of Horlicks and Boost to increase market penetration thereby focusing on driving volume.
- Added 350,000 retail outlets on Shikhar, e-B2B app, in FY21.

Valuation

As vaccination drive progresses, we expect the demand growth to continue despite partial lockdowns in some cities. Also, HUVR's ability to drive volumes supported by decent product portfolio & price- volume mix stabilizes the near-to-medium term outlook. Hence, we maintain our BUY rating on the stock with a revised TP of Rs. 2,710 based on 58x FY23E adj. EPS.

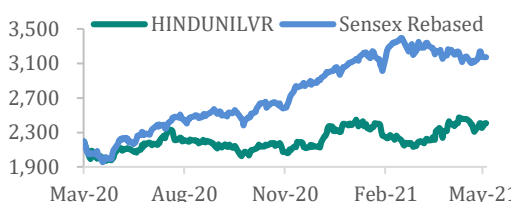
Company Data

Market Cap (cr)	Rs. 5,65,623
Enterprise Value (cr)	Rs. 5,63,883
Outstanding Shares (cr)	235.0
Free Float	38.0%
Dividend Yield	1.3%
52 week high	Rs. 2,504
52 week low	Rs. 1,902
6m average volume (lacs)	1.3
Beta	0.4
Face value	Rs. 1

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	61.9	61.9	61.9
FII's	14.5	14.9	15.0
MFs/Insti	10.8	10.7	10.7
Public	11.5	11.2	11.2
Others	1.3	1.2	1.3
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.8%	16.9%	9.6%
Absolute Sensex	-3.1%	21.0%	44.5%
Relative Return*	10.9%	-4.1%	-34.9%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Sales	45,996	50,514	55,501
Growth (%)	18.6	9.8	9.9
EBITDA	11,381	14,160	15,950
EBITDA Margin (%)	24.7	28.0	28.7
Adj. PAT	8,181	9,596	10,996
Growth (%)	18.1	20.5	14.6
Adj. EPS	34.8	40.8	46.8
Growth (%)	8.8	20.5	14.6
P/E	71.0	59.0	51.4
P/B	11.9	11.7	11.4
EV/EBITDA	49.5	39.8	35.3
ROE (%)	16.8	19.9	22.2
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	12,132	9,011	34.6	11,862	2.3	45,996	38,785	18.6
EBITDA	2,957	2,065	43.2	2,854	3.6	11,324	9,600	18.0
EBITDA margins	24.4	22.9	150bps	24.1	30bps	24.6	24.8	(20bps)
Depreciation	249	255	(2.4)	272	(8.5)	1,012	938	7.9
EBIT	2,708	1,810	49.6	2,582	4.9	10,312	8,662	19.0
Interest	9	26	(65.4)	41	(78.0)	108	106	1.9
Other Income	109	266	(59.0)	97	12.4	513	733	(30.0)
Exceptional Items	14	(58)	n.m.	(42)	n.m.	(227)	(197)	(15.2)
PBT	2,822	1,992	41.7	2,596	8.7	10,490	9,092	15.4
Tax	679	473	43.6	675	0.6	2,536	2,354	7.7
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	2,143	1,519	41.1	1,921	11.6	7,954	6,738	18.0
Adjustments	(14)	58	n.m.	42	n.m.	227	197	15.2
Adj. PAT	2,129	1,577	35.0	1,963	8.5	8,181	6,935	18.0
No. of shares	235.0	216.5	8.5	234.8	0.0	235.0	216.5	8.5
Adj. EPS (Rs.)	9.1	7.3	24.4	8.4	8.4	34.8	32.0	8.7

Segment-wise Revenue

(Rs. Cr)	Q4FY21	Q4FY20	YoY Growth%	Q3FY21	QoQ Growth%	FY21	FY20	YoY Growth%
Home Care	3,840	3,350	14.6	3,409	12.6	13,959	13,642	2.3
Beauty & Personal Care	4,549	3,801	19.7	4,841	(6.0)	17,964	17,345	3.6
Foods & Refreshments	3,511	1,788	96.4	3,356	4.6	13,204	7,450	77.2
Others	232	72	222.2	256	(9.4)	869	348	149.7
Total segment revenue	12,132	9,011	34.6	11,862	2.3	45,996	38,785	18.6

Change in Estimates

Year / Rs. Cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	53,368	58,876	50,514	55,501	(5.3)	(5.7)
EBITDA	13,958	15,182	14,160	15,950	1.4	5.1
Margins (%)	26.2	25.8	28.0	28.7	180bps	290bps
Adj. PAT	9,915	11,020	9,596	10,996	(3.2)	(0.2)
Adj. EPS	42.2	46.9	40.8	46.8	(3.2)	(0.2)

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	38,224	38,785	45,996	50,514	55,501
% change	8.5	1.5	18.6	9.8	9.9
EBITDA	8,637	9,600	11,381	14,160	15,950
% change	18.7	11.1	18.6	24.4	12.6
Depreciation	524	938	1,069	1,686	1,699
EBIT	8,113	8,662	10,312	12,475	14,252
Interest	28	106	108	60	60
Other Income	437	536	286	641	769
PBT	8,522	9,092	10,490	13,056	14,961
% change	17.0	6.7	15.4	24.5	14.6
Tax	2,486	2,354	2,536	3,460	3,965
Tax Rate (%)	29.2	25.9	24.2	26.5	26.5
Reported PAT	6,036	6,738	7,954	9,596	10,996
Adj*	44	(197)	(227)	-	-
Adj PAT	6,080	6,735	8,181	9,596	10,996
% change	18.4	10.9	18.1	20.5	14.6
No. of shares (cr)	216.5	216.5	235.0	235.0	235.0
Adj EPS (Rs.)	28.1	32.0	34.8	40.8	46.8
% change	18.4	10.9	8.8	20.5	14.6
DPS (Rs.)	22.0	25.0	31.0	37.0	42.0
CEPS (Rs.)	30.5	35.5	38.4	48.0	54.0

CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	6,560	7,676	9,023	11,282	12,695
Non-cash adj.	(637)	(2)	406	(535)	360
Changes in W.C	(195)	(369)	(472)	(41)	246
C.F. Operation	5,728	7,305	8,957	10,706	13,301
Capital exp.	(724)	(713)	(3,954)	(1,949)	(2,084)
Change in inv.	27	2,249	2,347	(1)	(1)
Other invest.CF	433	390	240	0	(0)
C.F - Investment	(264)	1,926	(1,367)	(1,950)	(2,085)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(5,459)	(6,244)	(8,811)	(8,695)	(9,870)
Other finance.CF	(3)	(432)	(469)	(60)	(60)
C.F - Finance	(5,462)	(6,676)	(9,280)	(8,755)	(9,930)
Chg. in cash	2	2,555	(1,690)	2	1,287
Closing cash	575	3,130	1,740	1,742	3,028

BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	575	3,130	1,740	1,742	3,028
Accounts Receivable	1,673	1,046	1,648	1,860	2,100
Inventories	2,422	2,636	3,383	3,591	4,020
Other Cur. Assets	6,704	5,096	6,869	6,982	7,107
Investments	256	252	312	313	313
Gross Fixed Assets	5,476	6,882	10,836	12,785	14,869
Net Fixed Assets	3,534	4,112	5,163	4,558	4,047
CWIP	373	513	623	654	687
Intangible Assets	436	431	45,241	46,079	46,942
Def. Tax (Net)	339	261	-	-	-
Other Assets	1,553	2,125	3,137	3,288	3,453
Total Assets	17,865	19,602	68,116	69,066	71,696
Current Liabilities	8,353	9,104	10,841	11,269	12,236
Provisions	1,049	1,198	1,551	1,598	1,917
Debt Funds	173	-	-	-	-
Other Liabilities	631	1,269	8,290	7,865	8,081
Equity Capital	216	216	235	235	235
Reserves & Surplus	7,443	7,815	47,199	48,100	49,227
Shareholder's Fund	7,659	8,031	47,434	48,335	49,462
Minority Interest	-	-	-	-	-
Total Liabilities	17,865	19,602	68,116	69,066	71,696
BVPS (Rs.)	35	37	202	206	210

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Profitab. & Return					
EBITDA margin (%)	22.6	24.8	24.7	28.0	28.7
EBIT margin (%)	21.2	22.3	22.4	24.7	25.7
Net profit mgn.(%)	15.8	17.4	17.3	19.0	19.8
ROE (%)	78.8	83.9	16.8	19.9	22.2
ROCE (%)	103.6	107.9	21.7	25.8	28.8
W.C & Liquidity					
Receivables (days)	16.0	9.8	13.1	13.4	13.8
Inventory (days)	49.2	54.1	57.0	58.1	59.2
Payables (days)	143.7	151.8	145.3	145.6	146.0
Current ratio (x)	1.4	1.3	1.3	1.3	1.3
Quick ratio (x)	1.0	0.8	0.8	0.8	0.8
Turnover & Leverage					
Gross asset T.O (x)	7.4	6.3	5.2	4.3	4.0
Total asset T.O (x)	2.2	2.1	1.0	0.7	0.8
Int. coverage ratio (x)	289.8	81.7	95.5	207.8	237.1
Adj. debt/equity (x)	0.0	-	-	-	-
Valuation					
EV/Sales (x)	9.6	12.7	12.3	11.2	10.1
EV/EBITDA (x)	42.4	51.5	49.5	39.8	35.3
P/E (x)	60.3	73.8	71.0	59.0	51.4
P/BV (x)	47.9	61.9	11.9	11.7	11.4

Recommendation Summary



Dates	Rating	Target
30-Jul-19	HOLD	1,792
18-Oct-19	HOLD	2,210
11-Feb-20	HOLD	2,275
7-May-20	HOLD	2,200
24-Jul-20	HOLD	2,370
23-Oct-20	BUY	2,440
22-Feb-21	BUY	2,580
4-May-21	BUY	2,710

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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