

BUY

TP: Rs 2,713 | ▲ 17%

HINDUSTAN UNILEVER

Consumer Staples

25 April 2025

Focused on top line

- 4QFY25 sales were in line, but EBITDA 2% ahead of Bloomberg consensus
- In FY26, commodity headwinds will require LSD pricing while investments also picked up. Margin guidance downgraded for 2-3 quarters
- Near-term sales are slow, while margins pressured. However, LT prospects remain on rural exposure and premiumisation focus

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4QFY25 result summary: HUVR reported 4QFY25 underlying sales +3% YoY with EBITDA down 2% as margins contracted 15bps to 23.1%. Gross margins declined 95bps YoY. Sales were 1% above both consensus and our estimates, while EBITDA was 2% above consensus and 1% above our estimate.

4QFY25 demand trends largely unchanged vs 3QFY25: Rural continued to recover gradually while urban remained slow. A positive was the reversal of mix shift towards small packs, which were more prominent in 3Q. While the underlying volume growth improved sequentially from 1% in 3Q to 2% in 4Q, this was mainly driven by lower pricing in the Home Care segment.

Home Care challenges: Homecare volumes grew in MSD with sales up in LSD implying pricing to be down. While crude deflation helped lower prices, competitive intensity in fabric wash segment has picked up and HUVR is maintaining its price index to stay competitive and save market share.

Margin outlook downgrade is only near term: HUVR is focused on investing back into the business to drive volume-driven sales growth. The company is optimistic on macro tailwinds (tax restructuring, rural, low inflation) and is looking to increase market share amidst a growing demand backdrop. This investment has resulted in a downgrade to the EBITDA margin guidance from the earlier 23%-24% to 22%-23%. However, this downgrade is mainly applicable for the next 2-3 quarters as the company builds sales momentum.

Our view: Volume growth has improved, but mainly on “forced” discounting to save share in Home Care. Sales growth is slow while margins remain pressured on inflation and rising competition. Longer term, HUVR stands to benefit from the combination of its rural exposure, to tap into the rising consumption in value segment; and focus on premiumisation, to capture a greater share of the fast growth affluent, and affluent plus consumer segments. We value HUVR in line with its 5-year average 12M forward P/E. We use 53x 12M to Mar'27 EPS to derive the TP of Rs 2,713 (from Rs 2,859). Share price return on 17% – BUY.

Key changes

Target	Rating
▼	◀ ▶

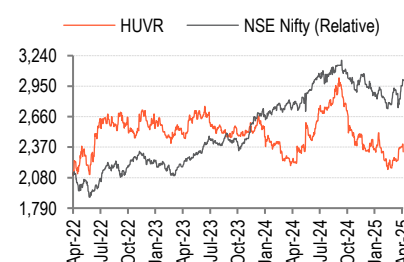
Ticker/Price	HUVR IN/Rs 2,325
Market cap	US\$ 64.1bn
Free float	38%
3M ADV	US\$ 52.5mn
52wk high/low	Rs 3,035/Rs 2,136
Promoter/FPI/DII	62%/14%/24%

Source: NSE | Price as of 24 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	631,210	676,520	729,709
EBITDA (Rs mn)	148,510	157,656	172,194
Adj. net profit (Rs mn)	103,440	108,793	119,398
Adj. EPS (Rs)	44.0	46.3	50.8
Consensus EPS (Rs)	44.0	48.3	53.4
Adj. ROAE (%)	20.5	21.9	24.0
Adj. P/E (x)	52.8	50.2	45.8
EV/EBITDA (x)	36.7	34.4	31.4
Adj. EPS growth (%)	0.7	5.2	9.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



4QFY25 result review

Fig 1 – HUVR 4QFY25 result summary

INR million	4QFY24	4QFY25E	YoY (%)
Sales	152,100	156,700	3.0
EBITDA	35,350	36,190	2.4
EBITDA margin (%)	23.2	23.1	(15bps)

Source: Company, Bloomberg, BOBCAPS Research

Earnings revisions

For FY26 and FY27, we adjust our forecasts with both slower sales and margins. Sales run-rate ex Home Care turned out to be lower vs our forecasts. Our EBITDA margin forecasts are in the 22%-23% range in 1HFY26 but return to the 23%-24% range in 2HFY26, as we expect macro tailwinds to help sales growth.

Fig 2 – HUVR earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	631,210	676,520	687,057	(1.5)	729,709	783,245	(6.8)	782,924	n/a	n/a
EBITDA	148,510	157,656	163,222	(3.4)	172,194	197,040	(12.6)	185,494	n/a	n/a
EBITDA Margin (%)	23.5	23.3	23.8	(45bps)	23.6	25.2	(156bps)	23.7	n/a	n/a
Adj. PAT	103,440	108,793	115,749	(6.0)	119,398	137,411	(13.1)	129,005	n/a	n/a
Adj. EPS	44.02	46.30	49.25	(6.0)	50.81	58.47	(13.1)	54.90	n/a	n/a
Gross Margins	51.6	51.5	51.5	(1bps)	51.7	51.4	29bps	51.8	n/a	n/a

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Volume growth has improved, but mainly on “forced” discounting to save share in Home Care. Sales growth is slow while margins remain pressured on inflation and rising competition. Longer term, HUVR stands to benefit from the combination of its rural exposure, to tap into the rising the consumption in value segment; and focus on premiumisation, to capture a greater share of the fast growth affluent, and affluent plus consumer segments.

We value HUVR in line with its 5-year historical 1 year forward average P/E on FY27 EPS. Our TP changes to Rs 2,859 from Rs 3,077. Share price return of 17% – BUY.

Key risks

Key downside risks to our estimates are:

- stress in underlying volume growth,
- slower-than-anticipated rural and urban recovery,
- sustained food inflation,
- failed experiment in soaps reformulation.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	618,960	631,210	676,520	729,709	782,924
EBITDA	146,630	148,510	157,656	172,194	185,494
Depreciation	12,160	13,550	13,860	14,331	14,922
EBIT	134,470	134,960	143,795	157,863	170,572
Net interest inc./(exp.)	(3,340)	(3,950)	(4,120)	(4,120)	(4,120)
Other inc./(exp.)	8,110	10,170	5,676	5,748	5,847
Exceptional items	(60)	(3,050)	0	0	0
EBT	139,240	141,180	145,351	159,491	172,299
Income taxes	36,440	37,440	36,338	39,873	43,075
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	10	140	220	220	220
Reported net profit	102,770	106,490	108,793	119,398	129,005
Adjustments	(60)	(3,050)	0	0	0
Adjusted net profit	102,710	103,440	108,793	119,398	129,005

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	104,860	113,150	124,391	132,950	141,491
Other current liabilities	23,770	52,210	52,210	52,210	52,210
Provisions	81,330	82,130	82,130	82,130	82,130
Debt funds	130	10	10	10	10
Other liabilities	60,670	55,210	55,210	55,210	55,210
Equity capital	2,350	2,350	2,350	2,350	2,350
Reserves & surplus	511,880	493,740	493,127	496,732	499,595
Shareholders' fund	514,230	496,090	495,477	499,082	501,945
Total liab. and equities	784,990	798,800	809,428	821,591	832,996
Cash and cash eq.	8,250	60,710	60,527	62,441	63,104
Accounts receivables	29,970	38,190	41,593	44,597	47,495
Inventories	40,220	44,150	48,505	51,839	55,031
Other current assets	134,800	77,460	77,460	77,460	77,460
Investments	650	570	570	570	570
Net fixed assets	90,560	96,340	99,393	103,304	107,955
CWIP	0	0	0	0	0
Intangible assets	457,130	457,100	457,100	457,100	457,100
Deferred tax assets, net	0	0	0	0	0
Other assets	23,410	24,280	24,280	24,280	24,280
Total assets	784,990	798,800	809,428	821,591	832,996

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	154,690	118,860	126,453	136,219	146,580
Capital expenditures	(14,680)	(12,540)	(16,913)	(18,243)	(19,573)
Change in investments	(43,040)	68,790	0	0	0
Other investing cash flows	4,480	8,480	3,803	3,851	3,918
Cash flow from investing	(53,240)	64,730	(13,110)	(14,391)	(15,655)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(850)	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(94,160)	(124,730)	(109,407)	(115,793)	(126,141)
Other financing cash flows	(5,330)	(6,280)	(4,120)	(4,120)	(4,120)
Cash flow from financing	(100,340)	(131,010)	(113,527)	(119,913)	(130,261)
Chg in cash & cash eq.	1,110	52,700	(183)	1,914	663
Closing cash & cash eq.	8,250	60,710	60,527	62,441	63,104

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	43.7	45.3	46.3	50.8	54.9
Adjusted EPS	43.7	44.0	46.3	50.8	54.9
Dividend per share	42.0	53.0	46.8	51.3	55.1
Book value per share	218.8	211.1	210.8	212.4	213.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.8	8.6	8.0	7.4	6.9
EV/EBITDA	37.2	36.7	34.4	31.4	29.1
Adjusted P/E	53.2	52.8	50.2	45.8	42.4
P/BV	10.6	11.0	11.0	10.9	10.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.8	73.3	74.8	74.9	74.9
Interest burden (PBT/EBIT)	103.5	104.6	101.1	101.0	101.0
EBIT margin (EBIT/Revenue)	21.7	21.4	21.3	21.6	21.8
Asset turnover (Rev./Avg TA)	81.7	79.7	84.1	89.5	94.6
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.6	1.6	1.7
Adjusted ROAE	20.2	20.5	21.9	24.0	25.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.2	2.0	7.2	7.9	7.3
EBITDA	3.6	1.3	6.2	9.2	7.7
Adjusted EPS	0.8	0.7	5.2	9.7	8.0

Profitability & Return ratios (%)

EBITDA margin	23.7	23.5	23.3	23.6	23.7
EBIT margin	21.7	21.4	21.3	21.6	21.8
Adjusted profit margin	16.6	16.4	16.1	16.4	16.5
Adjusted ROAE	20.2	20.5	21.9	24.0	25.8
ROCE	20.5	21.3	22.7	24.8	26.7

Working capital days (days)

Receivables	18	20	22	22	21
Inventory	51	50	51	52	52
Payables	123	130	132	133	133

Ratios (x)

Gross asset turnover	4.6	4.1	3.9	3.8	3.7
Current ratio	1.7	1.3	1.3	1.3	1.3
Net interest coverage ratio	40.3	34.2	34.9	38.3	41.4
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

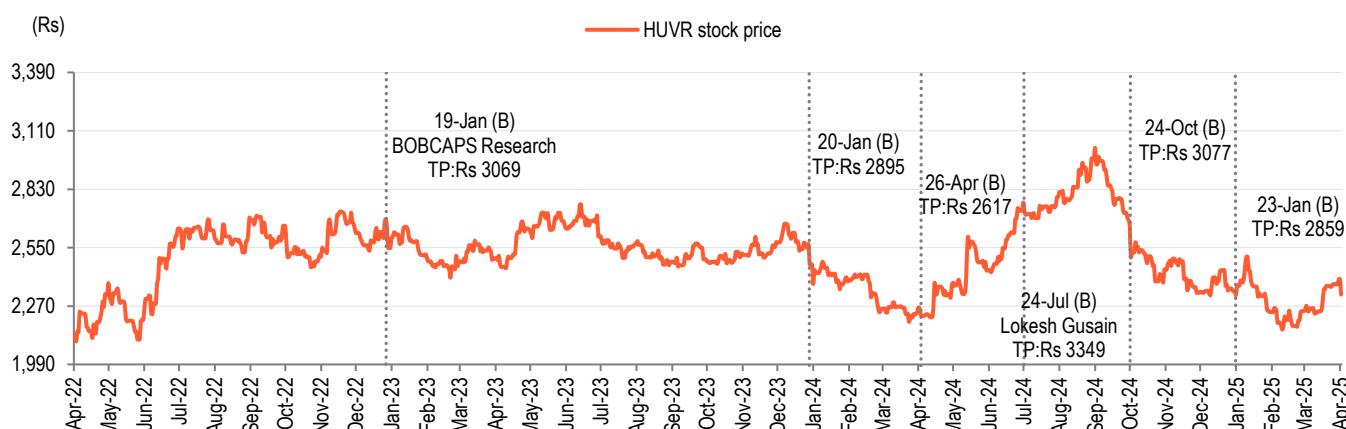
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HINDUSTAN UNILEVER (HUVR IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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