

Hindustan Unilever

BSE SENSEX

78,674

S&P CNX

23,869

CMP: INR2,446**TP: INR2,900 (+19%)****Buy**

Journey toward sustainable growth



Hindustan Unilever's (HUVR) FY24 annual report provides insights about its key focus areas to build upon its sustainable growth model. The company remains committed to distribution expansion (reached 9mn retail touch-points with 3mn direct-reach), digital initiatives (D2C business spans 10 brand websites covering over 19k pin codes in India), ramping up the alternate channel (ecommerce + MT combined at ~30% vs. 20% in FY20) and Shikhar app (B2B; now reaches 1.3m retail outlets). Despite macro challenges that have affected its operational performance in the last two-years, HUVR continues to focus on capital efficiency. HUVR has received tax refund of INR31.5b related to FY21 and FY22. Its cash flow from operation adjusted to tax rose by 23% YoY to INR123b with a two-year CAGR of 17%, and FCF increased by 21% YoY to INR109b with two-year CAGR of 17% led by working capital efficiency. We continue to believe that in a steady macro environment, HUVR will boost its volume performance in FY25/FY26. We maintain our BUY rating with a TP of INR2,900 (55x P/E FY26).

Moderate performance in FY24 due to subdued demand in rural markets

HUVR delivered a moderate performance in FY24 as revenue grew 2% to INR619b due to a challenging business environment. The company experienced gradual deflation in commodity prices across its portfolio after an extended period of high inflation. However, cumulative inflation remained elevated. Additionally, uneven rainfall led to subdued agricultural output, affecting rural demand. HUVR delivered underlying volume growth of 2% in FY24. Gross margin improved 430bp to 51.9%, which HUVR reinvested in A&P for brand building (up 32% YoY to 10.5%). As a result, EBITDA margin inched up 30bp to 23.7% (23.4% in FY23). PAT grew 1% YoY to INR103b in FY24. The dividend payout ratio stood at 96%, compared to 90% in FY23. HUVR generated ROE of 20% and ROCE of 28% in FY24. The company achieved efficient net working capital days of (-17) in FY24.

Business segment highlights

- **Beauty and Personal Care (BPC)** portfolio saw 2% growth, driven by volume growth as HUVR passed on cost savings to consumers through price cuts and promotions. Premium segments in Hair Care and Skin Care led growth, while mass segments showed a slower volume recovery. Starting 1st Apr'24, HUVR has split its BPC business into Beauty & Wellbeing and Personal Care for enhanced focus.
- **Home Care** business grew by 3% despite a high base in FY23, with mid-single digit volume growth offset by negative pricing trends. Premium products like washing powders and liquids maintained strong growth due to stable market development efforts.
- **Foods & Refreshment** segment reported 4% underlying sales growth. Nutrition Drinks (Horlicks & Boost) and Tea gained significant market share, while Food Solutions saw robust high double-digit growth. Ice Cream faced weather-related challenges but still achieved strong overall growth. Coffee led category growth with double-digit increases, driven by strategic pricing initiatives.

Stock Info

	HUVR IN
Bloomberg	
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	5746.2 / 68.8
52-Week Range (INR)	2770 / 2170
1, 6, 12 Rel. Per (%)	-1/-17/-35
12M Avg Val (INR M)	4655
Free float (%)	38.1

Financials Snapshot (INR b)

Y/E Mar	2024	2025E	2026E
Sales	619.0	657.5	713.4
Sales Gr. (%)	2.2	6.2	8.5
EBITDA	146.6	157.3	172.6
Margins (%)	23.7	23.9	24.2
Adj. PAT	102.7	112.4	123.9
Adj. EPS (INR)	43.7	47.8	52.7
EPS Gr. (%)	0.7	9.5	10.2
BV/Sh.(INR)	217.9	222.4	228.6

Ratios

RoE (%)	20.2	21.7	23.4
RoCE (%)	27.9	29.6	31.8
Payout (%)	96.1	94.1	91.0

Valuations

P/E (x)	56.1	51.2	46.5
P/BV (x)	11.7	11.5	11.2
EV/EBITDA (x)	38.8	36.3	32.9
Div. Yield (%)	1.6	1.8	1.9

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	61.9	61.9	61.9
DII	13.3	12.4	11.6
FII	12.7	13.7	14.4
Others	12.2	12.1	12.2

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Maintain market leadership in 85% of its business

HUVR has sustained market leadership in more than 85% of its portfolio, driven by the top 19 brands, each generating over INR10b in annual sales. Together, these brands contribute significantly to HUVR's turnover, accounting for more than 80% of its total sales. The company's strategy includes continuous innovation with new product variants and upgrades aimed at enhancing consumer experiences. Particularly in fabric care and dish wash, HUVR is focusing on liquid formulations to meet evolving consumer preferences for convenience and efficacy. This relentless focus on innovation and consumer satisfaction underscores HUVR's commitment to maintaining and expanding its market leadership in the industry.

Driving innovation and efficiency

HUVR continued to focus on leveraging its technological capabilities, which help to expedite product launches through the Agile Innovation Hub and integrating supply chain processes for faster decision-making with the 'Supply Chain Nerve Center.' The company also advances digital demand generation and fulfillment using nano factories, machine learning, digital marketing, D2C channels, and automated warehouses to stay competitive. HUVR is moving from the traditional linear value chain to an ecosystem across consumers, customers, and operations, with the help of data, technology and analytics. About 30% of its digital demand is generated digitally via its future-ready platforms of Shikhar app, e-commerce and D2C websites.

Adapting to the changing distribution landscape

HUVR's B2B app, Shikhar, now reaches 1.3m retail outlets, while its D2C business spans 10 brand websites covering over 19k pin codes in India. Shikhar has partnered with ONDC to help retailers list on the platform (currently testing this in selected stores). With a diverse customer base, including traditional distributors, digital platforms and neighborhood retailers, HUVR products are available in over 9m retail outlets through 3,500 distributors. The company is expanding beyond traditional channels to embrace ecommerce, B2B and modern trade, focusing on omni-channel strategies and partnerships.

Valuation and view

- HUVR has consistently reinforced the fundamental factors that have contributed to its success in India. They include: (a) embracing technology to gather valuable data and enable informed decision-making, (b) adopting the 'Winning in Many Indias' (WiMI) strategy that emphasizes decentralization and tailored approaches, (c) identifying emerging trends and proactively investing in them, (d) reinvesting cost savings into the business, and (e) showcasing exceptional execution capabilities that have led to consistent earnings growth.
- We also believe that HUVR is the best prepared among peers in terms of technology and e-commerce strategy to deal with potentially significant disruptions going forward.
- We believe that HUVR's volume growth has bottomed out and expect a gradual volume recovery in FY25. HUVR's wide product basket and presence across price segments should help the company achieve a steady growth recovery.
- There is scope for a turnaround in part of BPC and F&R; we will monitor the execution in these segments under the new CEO.
- We reiterate our BUY rating with a TP of INR2,900, based on 55x FY26E EPS.

Annual Report highlights

Innovating for the Future

Creating Categories of the Future

Created new categories which now contribute to more than 25% of turnover

- Rising affluence and awareness about global trends and brands through digital platforms is propelling creation of new demand spaces and future formats. HUVR is forging the future through on-trend and relevant innovations designed specifically for consumers and future channels, driving adoption of key future formats through compelling communication that addresses category triggers & barriers and scaling up education-led sampling to further engage consumers.
- In FY24, HUVR used these levers to disproportionately invest in market making and premium cells (more than 75% of incremental media spending). Similarly, more than 70% of its innovation turnover came from these cells.

Consumers switch seamlessly between channels, requiring consistent messaging across touchpoints for strong brand impressions. trends and creating dynamic, omni-channel experiences.

Hyper-connected Consumers

- The rise of digital platforms has transformed the consumer purchase journey, providing access to global trends and brands, and creating dynamic, omni-channel experiences.
- Consumers now switch seamlessly between channels and devices, necessitating consistent messaging across multiple touchpoints to build lasting brand impressions.
- HUVR has significantly expanded digital marketing and influencer campaigns, tailoring ads for each channel and employing a dedicated influencer management team to meet the demand for personalized shopping experiences.

Transforming the Distribution Network

- HUVR has a diverse customer base that includes traditional distributors, modern trade partners, digital commerce platforms, and thousands of neighborhood retailers. HUVR brands are available in over 9mn retail outlets, managed through a network of more than 3,500 distributors.
- Traditional distribution channels, or 'kiranas,' remain its primary sales avenue. However, the management has observed a rapid expansion in e-commerce, q-commerce, e-B2B, and modern trade channels.
- HUVR continues to innovate within its traditional distributor ecosystem and organized trade players through omni-channel strategies. It is also fostering strong collaborations with the evolving B2B, e-commerce, and q-commerce players.

Over 3m direct reach outlets (including outlets reached by Shakti Ammas)

Exhibit 1: MT and e-commerce growing faster than traditional channels

Particulars	FY20	FY21	FY22	FY23	FY24
Direct Reach (mn)	2.5	2.5	3.0	3.0	3.0
Total Reach (mn)	8.0	8.0	9.0	9.0	9.0
Ecomm (%)	3.0	4.0	5.0	6.0	6.0
MT (%)	17.0	20.0	21.0	22.0	23.0
CSD (%)	1	1	1	1	1

Source: Company, MOFSL

Shikhar covers 1.3m stores and is used by over 70% of Shakti Ammas

Driving innovation with consumer insights

Over 99% suppliers trained in ESG awareness with over 75b units produced yearly

Enhancing B2B Commerce

- Shikhar, an e-B2B demand-capturing application, serves 1.3m stores and is utilized by over 70% of Shakti Ammas, demonstrating the widespread adoption of digital solutions across the country.
- Shikhar has partnered with ONDC, enabling retailers to list themselves on the ONDC platform.
- HUVR is currently piloting this initiative in select stores and regions. Through Shikhar, retailers will be able to sell a broad range of products to a larger consumer base, thereby increasing their market presence.

Consumer-centric R&D

- HUVR's value chain begins with consumer insight. Leveraging advanced digital capabilities, it analyzes real-time consumer trends to stay ahead of evolving preferences.
- Through its WiMI strategy, HUVR has divided India into 16 consumer clusters, enabling detailed analysis and tailored marketing strategies.
- Insights from marketing and R&D collaboration drive innovations, product development, and targeted marketing strategies.

Future-Fit Supply Chain

- Supply chain has evolved as a source of competitive advantage for HUVR. With an extensive network of 28 owned factories and 50+ manufacturing partners, HUVR manufactures over 75b units annually, reaching the shelves of over 9m retail outlets through 35 distribution hubs and 3,500+ distributors.

Emerging trends in India’s FMCG industry

Exhibit 2: FMCG industry in India is seeing trend of Premiumization/Digital Transformation/Healthy living/Sustainable living



- **Premiumization** - The increasing number of affluent households in India presents HUVR with a substantial growth opportunity. These consumers are looking for high-quality, sustainable and personalized products, even at premium prices. With rising disposable incomes and greater exposure to global trends, per capita consumption of beauty products in India is anticipated to rise significantly, mirroring patterns observed in China, Indonesia and the Philippines.
- **Steps taken by HUVR** – The company has been actively investing in market development and premiumization, establishing a strong presence in the premium segment. The company has expanded its premium product offerings through innovations and new formats, leading to substantial growth in this portfolio. HUVR focuses on mass customization, precision marketing, and enhanced shopper experiences. As India's largest beauty company, HUVR leverages its strong brand equity and extensive distribution network to scale its digital-first brands and introduce premium and mainstream brands from Unilever. To adapt to the evolving beauty and personal care market, HUVR has restructured its business into two independent units, Beauty & Wellbeing and Personal Care, effective 1st Apr'24. This move is aimed at enhancing brand development, scale up digital innovations, and improve in-store experiences.
- **Digital Transformation** – A rapid digital transformation has reshaped consumer behavior, with social media awareness, multi-channel navigation, and device usage influencing buying decisions. Traditional trade customers are adopting technology to enhance efficiency, while newer channels drive technological disruption. Suppliers use technology to improve product availability, quality, and operations. Digital advancements create new opportunities in digital marketing, data analytics, and the rise of digital-first brands.
- **Step taken by HUVR** - Through the 'Re-Imagine HUVR' initiative, the company is embedding technology to build unique capabilities. The Agile Innovation Hub expedites product launches by using data to identify trends and enable quick prototyping. The 'Supply Chain Nerve Center' integrates planning, sourcing, manufacturing, and delivery for faster decision-making and automation. The company is also advancing in digital demand generation, capture, and fulfillment with tools like nano factories, machine learning, digital marketing, D2C channels, and automated warehouses, seizing digital opportunities to stay competitive.
- **Healthy Living** - Consumers are increasingly mindful of their consumption choices and their impact on health and wellness. In Foods & Refreshment, they prefer products with nutritional and long-term benefits, including health supplements and science-backed brands. In Home and Personal Care, there is a growing demand for clean, natural products free from harmful toxins and chemicals.
- **Step taken by HUVR** – The company is tackling micro-nutrient deficiency in India by enhancing its adult nutrition drinks portfolio, targeting health concerns like diabetes, women's health, and bone strength with scientifically backed brands. HUVR is also expanding its clean and natural offerings in beauty and personal care with brands like Simple, Love Beauty and Planet, and Indulekha, and in home care with plant-based, paraben-free dishwash formulations.
- **Sustainable Living** - Extreme weather fluctuations caused by greenhouse gas emissions, plastic use, unsustainable sourcing, and water crises are affecting

consumer sentiments, livelihoods, and safety. Society demands proactive responses from businesses as consumers increasingly favor sustainable choices, driving a global movement for change. Rising public awareness necessitates businesses to adopt sustainable operations to protect the planet.

- Step taken by HUVR** – The company leads in sustainable business operations in India, guided by its purpose of "making sustainable living commonplace." HUVR excels in ESG goals, boasting top ratings in the Indian FMCG industry. In FY23-24, HUVR reduced CO2 emissions by 98%, water usage by 47%, and waste by 58% compared to 2008. It achieved 94% sustainable sourcing for paper, 81% for tomatoes, and 79% for tea in 2023, with a commitment to 100% NDP-compliant palm oil.

Exhibit 3: Diverse and resilient portfolio

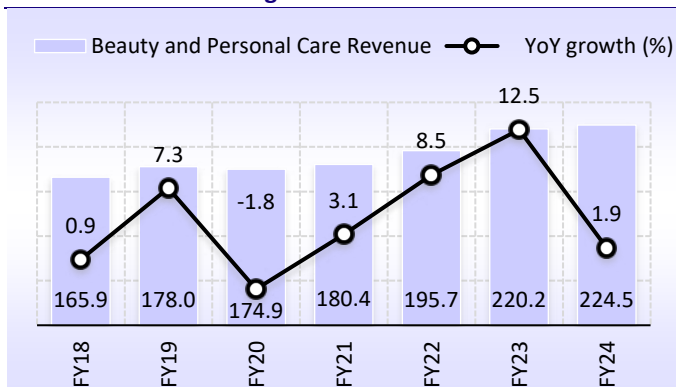


Source: Company

Key segmental highlights

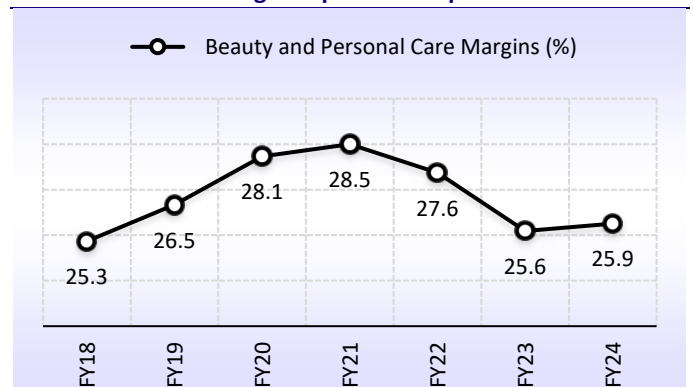
A) BPC: Continues to invest in core business

Exhibit 4: BPC revenue grew 2% YoY...



Source: MOFSL, Company

Exhibit 5: ...while margin improved 30bp YoY



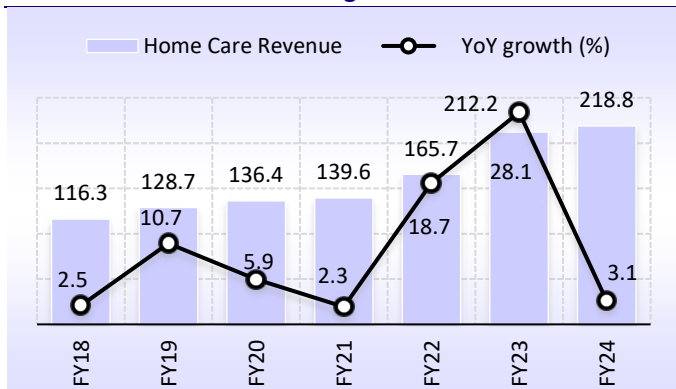
Source: MOFSL, Company

HUVR is growing its core business by investing in brands that deliver positive and healthy lifestyles. BPC grew 2%, led by volume growth. Due to the discretionary nature of the category, it is more susceptible to the impact of macro-economic factors. The premium portfolio within Hair Care and Skin Care led growth for the category, whereas the mass segment continued to witness a subdued volume recovery. Mass demand was impacted by high cumulative inflation over the last three years and below-par agricultural output due to uneven monsoons.

- **Hair Care:** Clinic Plus and Sunsilk maintained strong growth trajectories. Clinic Plus bolstered its brand power with effective communication strategies, while Sunsilk successfully entered the post-wash hair serum market with its Super Shine Serum, winning over consumers with innovative products and packaging. Furthermore, HUVR led substantial transformations across key brands like Lakmē and Vaseline by refreshing products, packaging, and communication strategies. These efforts ensure these brands remain aspirational and appealing to evolving consumer preferences.
- **Premium beauty and market development:** HUVR's premium beauty business unit (PBBU) has seen remarkable growth, achieving an ARR of over INR1b with its digital-first approach and two key brands. New offerings, such as the Active Skin Barrier Care range in Simple and advancements in Skin Cleansing with Dove and Pears, are driving market expansion. Ongoing efforts in premium brands are aimed at capture growing trends like “skinification” and dermatologist-recommended products.
- **Health and Wellbeing:** HUVR has forayed into the fast-growing demand segment of ‘Health and Wellbeing’ through strategic partnerships with two young science-backed brands ‘OZiva’ and ‘Wellbeing Nutrition’. OZiva's Health & Wellness brand has doubled its digital ARR, setting the stage for accelerated growth in 2024.
- **New launches:** (1) TRESemmé Ultra Shine Hair Serum, (2) Lakmē Skin Ultime Collection while strengthening , (3) Active Skin Barrier Care range (4) Indulekha Svetakutaja Shampoo & Oil, Skin Dew serum in a foundation to bring the make-up benefits in skin care.

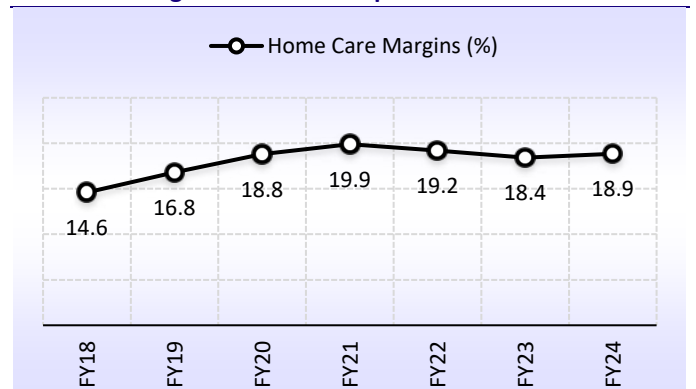
B) Home Care: Increased relevance; market share gains

Exhibit 6: Home Care revenue grew at 3% YoY



Source: MOSL, Company

Exhibit 7: Margins increased 40bp YoY



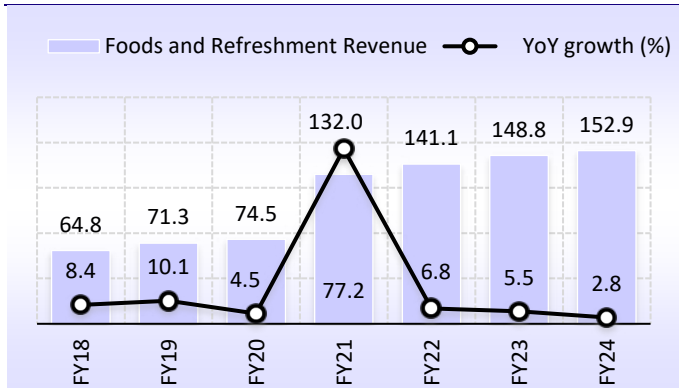
Source: MOSL, Company

The Home Care business grew 3% in FY24, on a very strong base of 28% in FY23. Fabric and Household Care saw mid-single-digit volume growth but experienced a drop in prices. The Water business also grew in mid-single digits. The premium segment, including premium washing powders, liquids, and dishwash liquids, continued to perform well due to ongoing market development efforts.

- **Fabric Wash:** HUVR has successfully shifted consumer preferences from mass detergent bars and powders to premium options and from premium powders to liquid detergents. Innovations like Smart shots, laundry pods and complementary products like Comfort fabric conditioners are part of HUVR’s strategy. Its focus on premiumization and future categories has led to strong stable growth in the premium segment. Surf Excel has expanded its liquid detergent portfolio beyond South India to strengthen HUVR’s presence in the growing liquid detergent market.
- **Dishwashing:** Vim Liquid's relaunch highlights superior odor removal with new packaging and the message, "Vim Liquid removes tough odor in one wash." To boost premiumization, Vim introduced two plant-based premium variants, Pure Lemongrass and Tangerine, with user-friendly packaging.
- **Water purifier:** Pureit has launched the Pureit Revito Series, a premium RO+UV water purifier featuring DURAViva™ filtration technology. Certified by the Water Quality Association for heavy metal removal, this series offers superior purification, water conservation, and mineral enrichment.

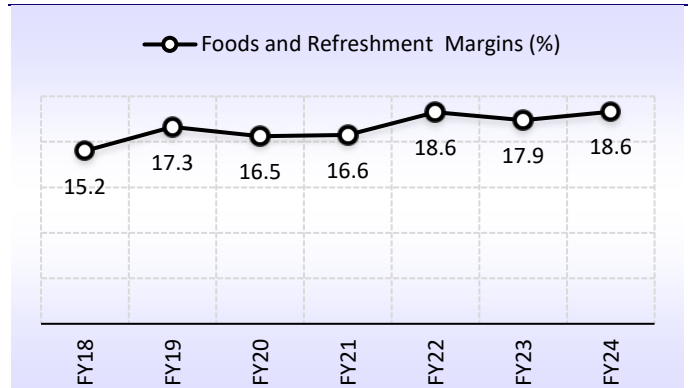
C) Foods & Refreshment: Growth witnessed in overall portfolio

Exhibit 8: Food and Refreshment segment reported 3% growth YoY in revenue...



Source: MOSL, Company

Exhibit 9: ...and margin increased 70bp YoY



Source: MOSL, Company

HUVR's Foods & Refreshment business expanded by 3%, driven by strong growth in its core brands.

- **Foods:** The food solutions business saw high double-digit growth, driven by Ketchup, Jams, and Soups. Kissan jam was relaunched with 30% more fruit content. Hellmann’s mayonnaise and Kissan peanut butter continued to grow through market development and sampling. The new Korean meal pots gained significant consumer traction, further boosted by the launch of Knorr K-Pot Korean Ramen.
- **Refreshment:** The tea business faced challenges amid downtrading by consumers but maintained competitive growth by offering better value,

market development, and portfolio expansion. HUVR increased its market share lead in tea. The coffee portfolio faced inflation and sustained high prices throughout the year. Bru coffee was relaunched with an improved taste, stronger aroma, and new packaging. Building on last year's success of Freeze Dried Coffee, HUVR introduced Bru Gold in Vanilla, Caramel, and Hazelnut flavors.

- **Out-of-Home Portfolio:** Despite unseasonal weather, the Ice Cream business achieved strong growth, driven by premium products like Magnum and increased e-commerce and q-commerce sales. To de-seasonalize, HUVR launched the premium 'Slow Churn' ice cream, made with artisanal expertise, and introduced new flavors like Chocolate Hazelnut and Feast Crackle in partnership with Cadbury.
- **Nutrition:** During the year, it gained market share and increased penetration on the back of focused market development actions and communications. Nutrition drinks continue to see inflation and sustained high prices with the recent rise in milk prices, HUVR piloted a new Strength Plus and Growth Plus variants of Horlicks that provides supporting bone growth, healthy weight gain, and immune function with key nutrients like arginine and high-quality protein.

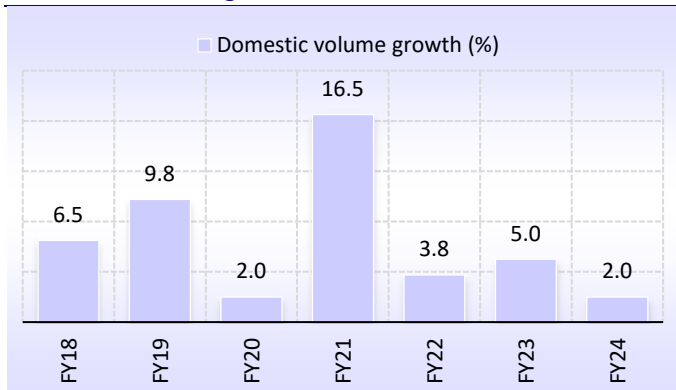
Particulars (INR b)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Beauty and Personal Care							
Revenue	165.9	178.0	174.9	180.4	195.7	220.2	224.5
YoY growth (%)	0.9	7.3	-1.8	3.1	8.5	12.5	1.9
Contribution to total turnover (%)	46.8	46.2	44.7	39.1	39.0	37.0	37.0
EBIT	42.1	47.5	49.0	51.3	53.9	56.5	58.1
YoY growth (%)	8.1	13.0	3.1	4.9	5.0	4.7	2.9
Margins (%)	25.3	26.5	28.1	28.5	27.6	25.6	25.9
Contribution to total EBIT (%)	60.9	58.0	56.2	49.7	50.0	44.0	43.0
Home Care							
Revenue	116.3	128.7	136.4	139.6	165.7	212.2	218.8
YoY growth (%)	2.5	10.7	5.9	2.3	18.7	28.1	3.1
Contribution to total turnover (%)	33.0	33.7	35.2	30.3	30.0	36.0	36.0
EBIT	17.0	21.6	25.6	27.7	31.8	39.1	41.3
YoY growth (%)	33.5	26.7	18.7	8.4	14.8	22.9	5.5
Margins (%)	14.6	16.8	18.8	19.9	19.2	18.4	18.9
Contribution to total EBIT (%)	24.8	26.8	26.6	26.9	27.0	31.0	31.0
Foods and Refreshment							
Revenue	64.8	71.3	74.5	132.0	141.1	148.8	152.9
YoY growth (%)	8.4	10.1	4.5	77.2	6.8	5.5	2.8
Contribution to total turnover (%)	18.4	18.7	19.2	28.7	29.0	25.0	25.0
EBIT	10.0	12.3	12.3	21.9	26.2	26.6	28.5
YoY growth (%)	17.9	23.5	0.2	77.7	19.8	1.5	7.1
Margins (%)	15.2	17.3	16.5	16.6	18.6	17.9	18.6
Contribution to total EBIT (%)	14.4	15.3	14.2	21.2	21.0	21.0	21.0

Overall financial performance

- Revenue grew 2% YoY in FY24, led by volume growth of 2%.
- Gross margin improved by 430bp to 51.9%, which HUVR reinvested in A&P for brand building (up 32% YoY to 10.5%), resulting in a modest increase of 30bp in EBITDA margin to 23.7% (23.4% in FY23).
- PAT grew 1% YoY to INR103b in FY24 (two-year CAGR at 8%). The dividend payout ratio stood at 96%, compared to 90% in FY23.

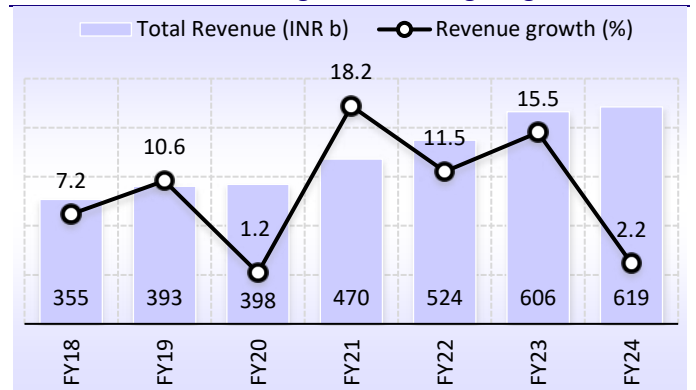
- HUVR generated ROE of 20% and ROCE of 28% in FY24. The company achieved efficient net working capital days of (-17 days) in FY24.

Exhibit 10: Volume growth at 2% in FY24



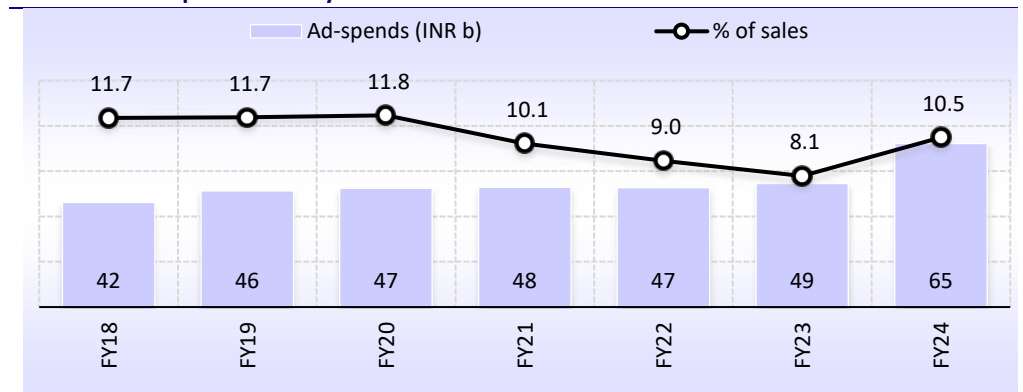
Source: Company, MOFSL

Exhibit 11: Total revenue grew in low single digit in FY24



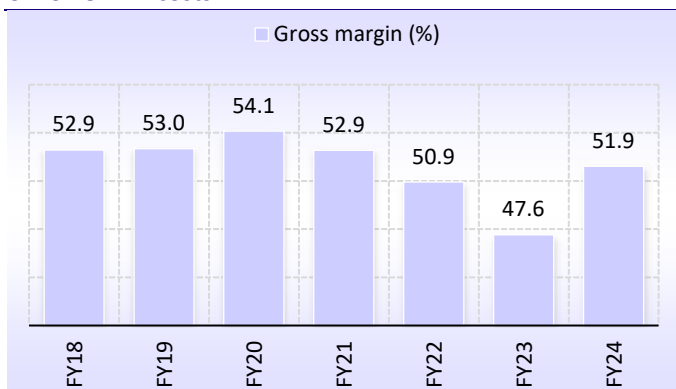
Source: Company, MOFSL

Exhibit 12: Ad-spends rose by 32% YoY to INR65b in FY24



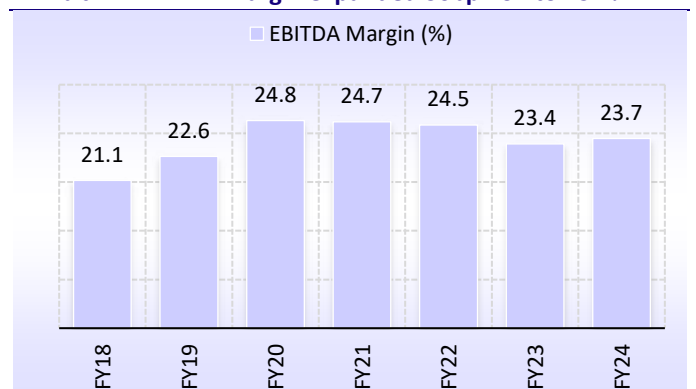
Source: MOSL, Company

Exhibit 13: Gross margin improved by 420bp YoY to 51.9% on lower RM costs



Source: Company, MOFSL

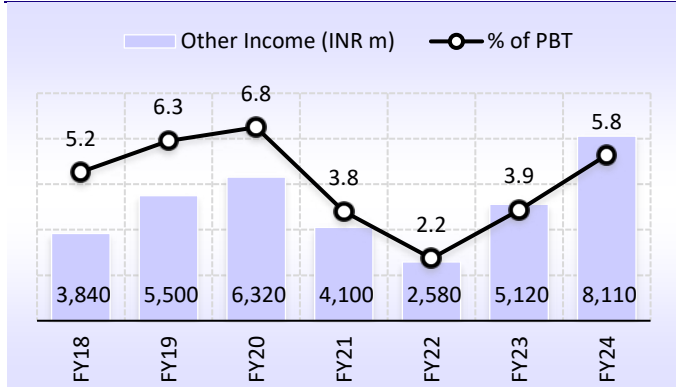
Exhibit 14: EBITDA margin expanded 30bp YoY to 23.7%



Source: Company, MOFSL

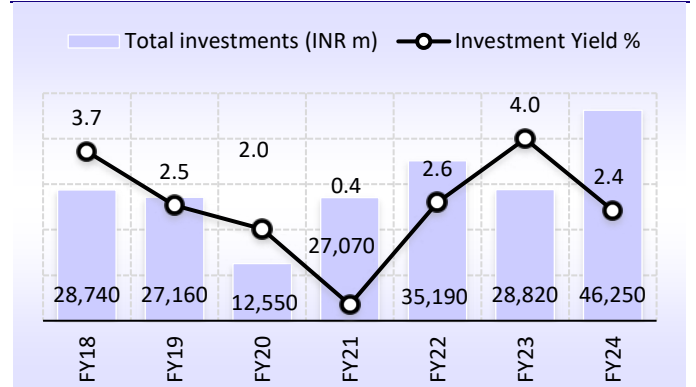
- Other income increased to INR 8,110m in FY24 vs. INR5,120m in FY23. As a percentage of PBT, other income increased to 6%. Investment yield was 2.4% in FY24 vs. 4% in FY23.

Exhibit 15: Other income rose to 6% as percentage of PBT



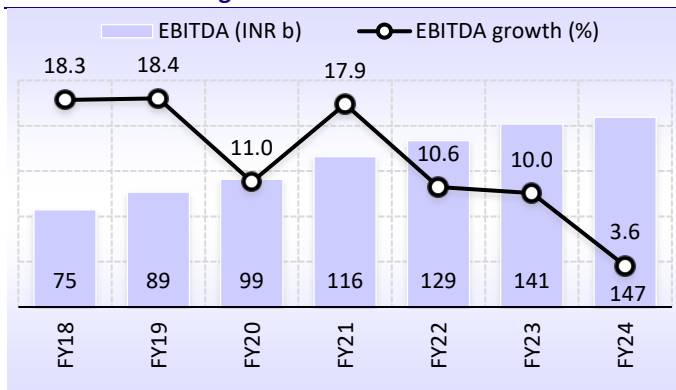
Source: MOSL, Company

Exhibit 16: Investment yield is 2.4% in FY24



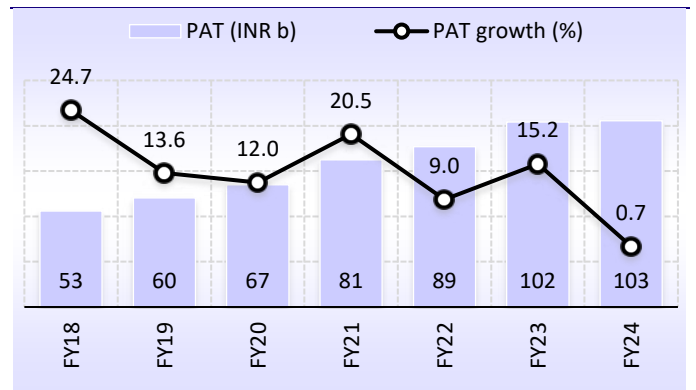
Source: MOSL, Company

Exhibit 17: EBITDA grew 3.6% YoY to INR147b



Source: MOSL, Company

Exhibit 18: PAT remain flattish in FY24 at INR103b



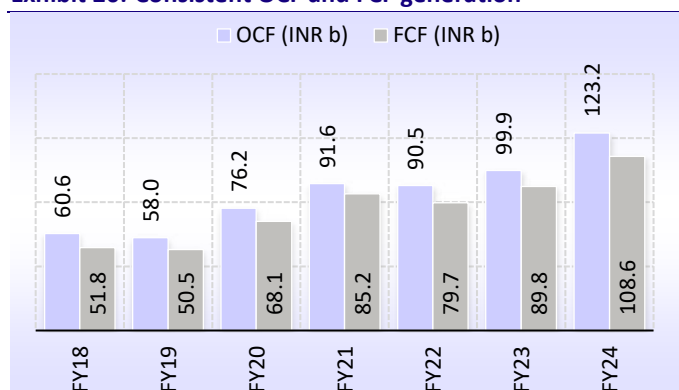
Source: MOSL, Company

Exhibit 19: Cash conversion cycle improves in FY24

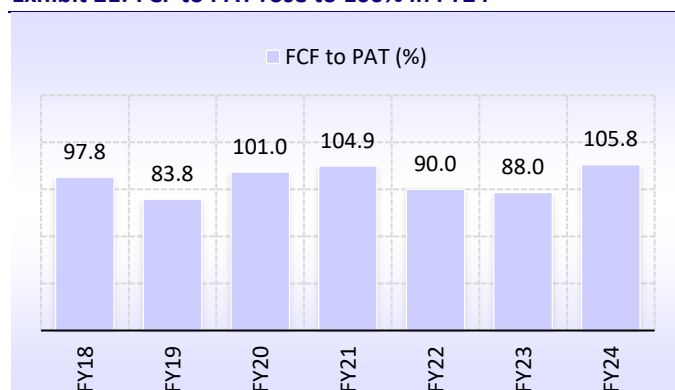
Cash conversion cycle	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days (Average)							
Debtors	13	15	14	11	14	16	18
Inventory	26	24	25	25	27	26	25
Creditors	83	80	79	68	63	57	60
Average days	-44	-41	-40	-32	-22	-15	-17
Days (Year-end)							
Debtors	14	17	11	14	16	19	18
Inventory	26	24	26	28	29	26	24
Creditors	89	80	79	69	64	59	63
Total days	-49	-38	-42	-27	-19	-14	-21

Source: Company, MOFSL

- Its cash flow from operations rose 55% YoY to INR155b with a two-year CAGR of 31%, and FCF increased by 56% YoY to INR140b with a two-year CAGR of 33%. HUVR has received tax refund of INR31.5b related to FY21 and FY22. Its cash flow from operation adjusted to tax rose 23% YoY to INR123b with a two-year CAGR of 17%, and FCF increased by 21% YoY to INR109b (two-year CAGR of 17%) led by working capital efficiency.

Exhibit 20: Consistent OCF and FCF generation

Source: Company, MOFSL, Note - Adjusted to tax refunds

Exhibit 21: FCF to PAT rose to 106% in FY24

Source: Company, MOFSL Note - Adjusted to tax refunds

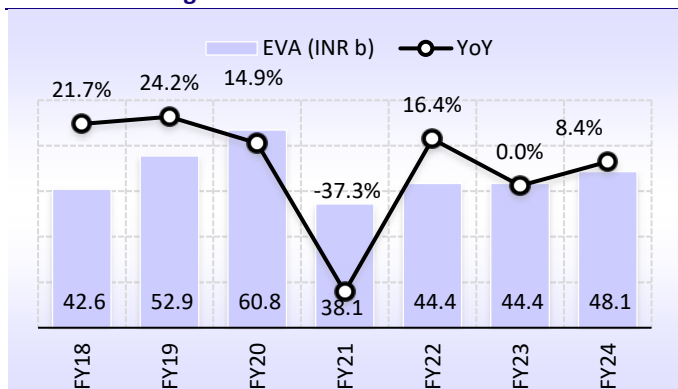
Exhibit 22: Du-Pont analysis

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24
PAT Margin (PAT/Net sales)	15.2	15.6	17.2	17.5	17.2	17.1	16.8
Asset T/O (Net sales/ avg assets)	4.8	4.8	4.8	1.0	1.1	1.2	1.2
ROE	75.6	79.5	83.8	29.1	18.3	20.5	20.2

Source: MOSL, Company

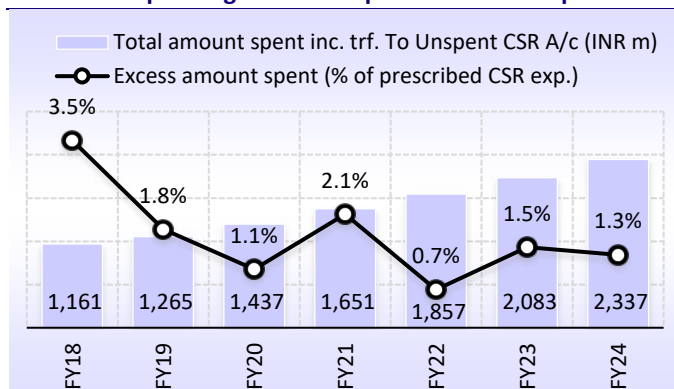
- Economic value addition (EVA) consistently improved during FY18-24 (except in FY21 due to Covid); it grew 8.4% YoY to INR48.1b in FY24.
- HUVR is consistently spending more than the 2% prescribed CSR spending over the past seven years. Some of the areas of its CSR spending are water conservation programs, community hygiene centers, etc.

Exhibit 23: EVA grew 8% YoY to 48.1b in FY24



Source: MOSL, Company

Exhibit 24: Spending more than prescribed CSR expenses



Source: MOSL, Company

Exhibit 25: CSR spending more 2% for past seven year

Details of CSR spend	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Average Net Profit of the Company for last 3 financial years:	56,101	62,097	71,099	80,870	92,214	1,02,630	1,15,311
Prescribed CSR Expenditure	1,122	1,242	1,422	1,617	1,844	2,053	2,306
Total amount spent during the financial year	1,161	1,265	1,437	1,651	1,576	2,013	2,221
Amount transferred to Unspent CSR Account as per Section 135(6)	-	-	-	-	282	70	116
Total amount spent inc. trf. To Unspent CSR A/c (INR m)	1,161	1,265	1,437	1,651	1,857	2,083	2,337
Excess Spent	39	23	15	34	13	31	31
% of Net Profit	2.07	2.04	2.02	2.04	2.01	2.03	2.03
Excess amount spent (% of prescribed CSR exp.)	3.5	1.8	1.1	2.1	0.7	1.5	1.3

Source: Company, MOFSL

- Total managerial remuneration declined 7% YoY to INR431m. The three-year CAGR stood at 6%.

Exhibit 26: Managerial remuneration declined 7% YoY (three-year CAGR 6%)

Remuneration (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
CEO and MD	N/A	N/A	N/A	N/A	N/A	N/A	224
YoY %							
Ex- CEO and MD	194	189	194	154	221	224	18
YoY %		-2.6	2.6	-20.6	43.3	1.3	N/A
CFO	42	49	51	71	74	75	86
YoY %		16.7	4.1	39.2	3.9	1.5	14.3
ED Legal and Corporate	60	68	55	55	80	95	104
YoY %		13.3	-19.1	0.0	45.5	18.2	9.7
Total Remuneration	351	365	375	361	490	464	431
YoY %		4.0	2.7	-3.7	35.7	-5.4	-6.9
Remuneration as % of staff cost	1.9	1.9	2.1	1.5	1.9	1.6	1.4
Remuneration as % of EBITDA	0.5	0.4	0.4	0.3	0.4	0.3	0.3
Remuneration as % of PAT	0.7	0.6	0.6	0.5	0.6	0.5	0.4

Source: Company, MOFSL

Sustainability

- HUVR's parent Unilever globally invest in R&D for new technologies to reduce its carbon footprint, plastic waste, and water use; it would increase the number of biodegradable and sustainable ingredients associated with its products.
- HUVR is committed to the global Unilever Compass strategy to create a movement, in which its suppliers, customers and consumers will all be part of building a better future. It shall build and drive actionable programs to tackle the most critical issues of the time, harnessing the full scale and impact of its brands and going further and faster to drive positive change.
- HUVR's Prabhat, a sustainable community development program, works across manufacturing locations to uplift and empower the communities.
- Since inception, it has delivered a cumulative and collective water potential of +3.2t liters; +2.0m tons of additional agricultural and biomass production; and over 114m person-days of employment across 15,000 villages in 13 States and two Union Territories, with the help of its partners.
- Project Shakti is its initiative that aims to financially empower and provide livelihood opportunities to women in rural India. Over 190k Shakti entrepreneurs have been empowered through the program.
- Few targets:
 - Zero emission in the operations by 2030 globally
 - 100% reusable, recyclable or compostable plastic packaging by 2025
 - 100% of Unilever's ingredients will be bio-degradable by 2030
 - 15% recycled plastic by 2025
 - 95% of packaged ice cream to contain no more than 22g total sugar per serving by 2025
 - 100% sustainable sourcing of key agricultural crops
 - Contribute to 3t liters of water potential in India through HUF by 2025
 - Double the number of products that deliver positive nutrition by 2025
 - Help 2m SMEs to grow their business by 2025 globally

Exhibit 27: HUVR's delivery on its sustainability plan (%)

Particulars	2021	2022	2023	2024
Reduction in CO2 emissions (kg/ton of production) in manufacturing operations compared with 2008 baseline	91	94	97	98
Reduction in water consumption (m3/ton of production) in manufacturing ops. compared with 2008 baseline	54	47	48	47
Reduction in total waste (kg/ton of production) generated from factories compared with 2008 baseline	59	54	55	58
Better livelihoods – Shakti entrepreneurs empowered (in m)*	0.14	0.16	0.19	0.20
Sustainable sourcing – Tea sourced from sustainable sources for Unilever brands	67	68	69	79

Source: MOSL, Company

Exhibit 28: Highlights of various sustainability initiatives taken by HUVR

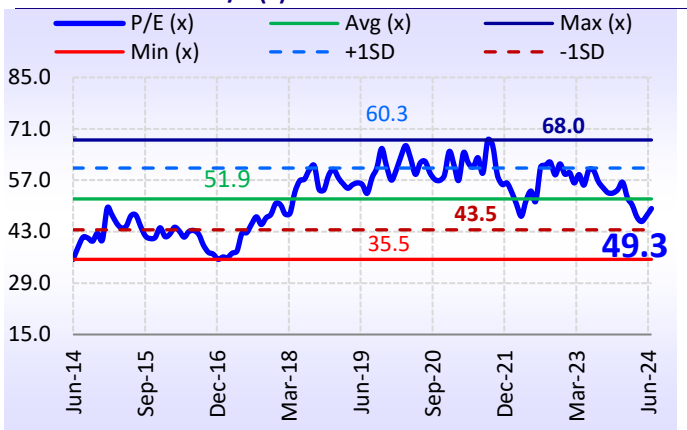


Source: Company

Valuation and view

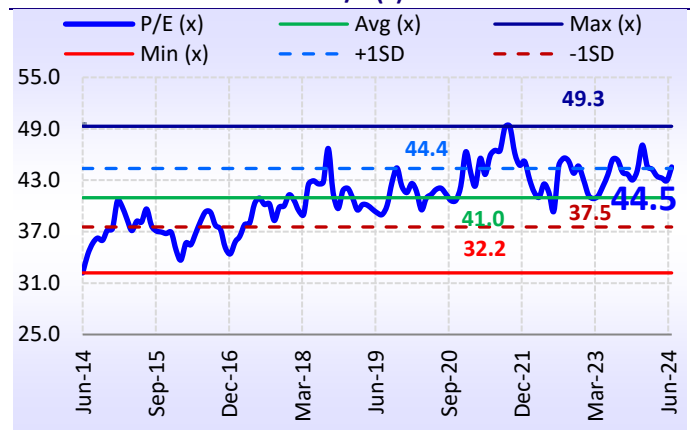
- HUVR has consistently reinforced the fundamental factors that have contributed to its success in India. They include: (a) embracing technology to gather valuable data and enable informed decision-making, (b) adopting the ‘Winning in Many Indias’ (WiMI) strategy that emphasizes decentralization and tailored approaches, (c) identifying emerging trends and proactively investing in them, (d) reinvesting cost savings into the business, and (e) showcasing exceptional execution capabilities that have resulted in a consistent earnings growth.
- We also believe that HUVR is the best prepared among peers in terms of technology and e-commerce strategy to deal with potentially significant disruptions going forward.
- We believe that HUVR’s volume growth has bottomed out and expect a gradual volume recovery in FY25. HUVR’s wide product basket and presence across price segments should help the company achieve a steady growth recovery.
- There is scope for a turnaround in part of BPC and F&R; we will monitor the execution in these segments under the new CEO.
- We reiterate our BUY rating with a TP of INR2,900, based on 55x FY26E EPS.

Exhibit 29: HUVR P/E (x)



Source: Bloomberg, Company, MOFSL

Exhibit 30: Consumer sector P/E (x)



Source: Bloomberg, Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Revenue	3,93,100	3,97,830	4,70,280	5,24,460	6,05,800	6,18,960	6,57,455	7,13,449
Change (%)	10.6	1.2	18.2	11.5	15.5	2.2	6.2	8.5
Gross Profit	2,08,360	2,15,240	2,48,800	2,67,110	2,88,640	3,21,360	3,44,506	3,75,631
Gross Margin (%)	53.0	54.1	52.9	50.9	47.6	51.9	52.4	52.7
Operating Exp	1,19,560	1,16,630	1,32,540	1,38,540	1,47,150	1,74,730	1,87,212	2,03,039
EBITDA	88,800	98,610	1,16,260	1,28,570	1,41,490	1,46,630	1,57,295	1,72,592
Change (%)	18.4	11.0	17.9	10.6	10.0	3.6	7.3	9.7
Margin (%)	22.6	24.8	24.7	24.5	23.4	23.7	23.9	24.2
Depreciation	5,650	10,020	10,740	10,910	11,370	12,160	12,768	13,406
Int. and Fin. Charges	330	1,180	1,170	1,060	1,140	3,340	3,507	3,682
Other Income - Recurring	6,550	6,320	4,100	2,580	5,120	8,110	9,327	10,166
Profit before Taxes	89,370	93,730	1,08,450	1,19,180	1,34,100	1,39,240	1,50,346	1,65,669
Change (%)	20.2	4.9	15.7	9.9	12.5	3.8	8.0	10.2
Margin (%)	23.1	23.9	23.4	23.1	22.5	22.8	23.3	23.6
Tax	25,440	24,090	26,060	29,870	32,010	36,440	37,842	41,583
Deferred Tax	0	0	0	0	0	0	0	0
Tax Rate (%)	28.5	25.7	24.0	25.1	23.9	26.2	25.2	25.1
Profit after Taxes	60,220	67,430	81,240	88,520	1,02,015	1,02,713	1,12,384	1,23,850
Change (%)	13.6	12.0	20.5	9.0	15.2	0.7	9.4	10.2
Margin (%)	15.6	17.2	17.5	17.2	17.1	16.8	17.4	17.7
Non-rec. (Exp)/Income	-2,270	-1,990	-2,390	-440	-805	57	0	0
Reported PAT	61,660	67,650	80,000	88,870	1,01,210	1,02,770	1,12,384	1,23,966
Balance Sheet								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	2,165	2,165	2,349	2,349	2,350	2,350	2,349	2,349
Reserves	76,510	80,130	4,74,390	4,88,260	5,00,690	5,09,830	5,20,007	5,34,625
Net Worth	78,675	82,295	4,76,739	4,90,609	5,03,040	5,12,180	5,22,356	5,36,974
Loans & others	1,170	170	200	260	3,160	2,180	2,170	2,290
Capital Employed	79,845	82,465	4,76,939	4,90,869	5,06,200	5,14,360	5,24,526	5,39,264
Gross Block	90,591	1,08,251	5,78,631	5,89,841	6,13,261	6,36,081	6,51,081	6,66,081
Less: Accum. Depn.	-43,441	-53,461	-64,201	-75,111	-86,481	-98,641	-1,11,409	-1,24,816
Net Fixed Assets incl Goodwill	47,150	54,790	5,14,430	5,14,730	5,26,780	5,37,440	5,39,672	5,41,266
Capital WIP	4,060	5,970	7,450	13,130	11,320	10,250	5,125	2,563
Investments	27,160	12,550	27,070	35,190	28,820	46,250	50,580	55,580
Deferred Charges	3,730	2,840	-59,710	-61,300	-64,110	-65,470	-65,470	-65,470
Curr. Assets, L&A	98,180	1,25,400	1,38,450	1,42,010	1,63,850	1,90,950	2,08,165	2,38,305
Inventory	25,740	27,670	35,790	40,960	42,510	40,220	50,334	54,397
Account Receivables	18,160	11,490	17,580	22,360	30,790	29,970	33,415	36,261
Cash and Bank Balance	37,570	51,130	44,710	38,460	46,780	75,590	54,402	71,729
Others	16,710	35,110	40,370	40,230	43,770	45,170	70,013	75,918
Curr. Liab. and Prov.	1,00,440	1,19,070	1,50,750	1,52,890	1,60,460	2,05,060	2,13,545	2,32,980
Account Payables	84,390	84,670	88,020	90,680	95,740	1,04,860	1,03,903	1,12,753
Other Liabilities	16,050	8,500	23,010	22,120	23,560	23,770	25,569	27,747
Provisions	0	25,900	39,720	40,090	41,160	76,430	84,073	92,480
Net Current Assets	-2,260	6,330	-12,300	-10,880	3,390	-14,110	-5,381	5,326
Application of Funds	79,840	82,480	4,76,940	4,90,870	5,06,200	5,14,360	5,24,526	5,39,264

E: MOFSL Estimates

Financials and valuations

Ratios	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	27.8	31.2	34.6	37.7	43.4	43.7	47.8	52.7
Cash EPS	30.7	36.2	38.5	41.8	48.2	48.9	53.3	58.4
BV/Share	36.3	38.0	203.0	208.9	214.1	217.9	222.4	228.6
DPS	22.0	25.0	31.0	34.0	39.0	42.0	45.0	48.0
Payout %	94	95	91	92	90	96	94	91
Valuation (x)								
P/E	88.1	78.6	70.8	65.0	56.4	56.1	51.2	46.5
Cash P/E	79.8	67.7	63.7	58.6	50.8	50.1	46.0	41.9
EV/Sales	13.6	13.4	12.3	11.1	9.6	9.3	8.8	8.1
EV/EBITDA	59.3	53.3	49.1	44.5	40.4	38.8	36.3	32.9
P/BV	70.1	67.0	12.6	12.2	11.9	11.7	11.5	11.2
Dividend Yield (%)	0.9	1.0	1.2	1.3	1.5	1.6	1.8	1.9
Return Ratios (%)								
RoE incl. Goodwill	79.5	83.8	29.1	18.3	20.5	20.2	21.7	23.4
RoCE incl. Goodwill	117.4	116.9	39.2	24.8	27.1	27.9	29.6	31.8
RoIC	178.9	221.9	37.0	20.9	23.2	24.1	25.8	27.3
Working Capital Ratios								
Debtor (Days)	17	11	14	16	19	18	19	19
Asset Turnover (x)	4.8	4.8	1.0	1.1	1.2	1.2	1.2	1.3
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Statement								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(loss) before Tax	86,040	91,730	1,06,060	1,18,740	1,33,460	1,39,300	1,50,346	1,65,669
Financial other income	-2,600	-4,520	-680	-1,510	-4,090	-6,090	3,507	3,682
Depreciation	5,650	10,020	11,340	11,060	11,520	12,160	12,768	13,406
Direct Taxes Paid	-27,670	-25,050	-24,080	-27,810	-31,400	-3,810	-37,842	-41,583
(Incr)/Decr in WC	-3,420	4,110	-1,010	-10,000	-9,580	13,130	-35,697	226
CF from Operations	58,000	76,230	91,630	90,480	99,910	1,54,690	93,082	1,41,401
Other Items	5,770	-9,170	-21,890	2,120	15,480	31,990	5,779	6,278
(Incr)/Decr in FA	-7,540	-8,100	-6,440	-10,790	-10,110	-14,570	-9,875	-12,438
Free Cash Flow	50,460	68,130	85,190	79,690	89,800	1,40,120	83,207	1,28,963
(Pur)/Sale of Investments	390	22,790	23,370	-7,910	-7,430	-42,960	-4,330	-5,000
CF from Invest.	-1,380	5,520	-4,960	-16,580	-2,060	-25,540	-8,426	-11,159
Dividend Paid	-45,540	-51,960	-88,110	-75,260	-84,740	-94,160	-1,02,207	-1,09,233
Others	-9,350	-15,240	-4,980	-4,890	-5,570	-5,330	-3,507	-3,682
CF from Fin. Activity	-53,900	-68,190	-93,090	-80,150	-89,530	-1,00,340	-1,05,844	-1,12,915
Incr/Decr of Cash	2,720	13,560	-6,420	-6,250	8,320	28,810	-21,188	17,327
Add: Opening Balance	34,850	37,570	51,130	44,710	38,460	46,780	75,590	54,402
Closing Balance	37,570	51,130	44,710	38,460	46,780	75,590	54,402	71,728

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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