


3R MATRIX

	+	=	-
Right Sector (RS)	✓	✓	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✓	↔	✓
RV	✓	↔	✓

Company details

Market cap:	Rs. 5,50,497 cr
52-week high/low:	Rs. 3,035 / 2,170
NSE volume: (No of shares)	17.2 lakh
BSE code:	500696
NSE code:	HINDUNILVR
Free float: (No of shares)	89.5 cr

Shareholding (%)

Promoters	61.9
FII	12.1
DII	14.7
Others	11.2

Price chart


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.2	-11.9	-15.3	-1.4
Relative to Sensex	2.9	-7.3	-10.3	-9.9

Source: Mirae Asset Sharekhan Research, Bloomberg

Hindustan Unilever Ltd
Soft Q3; multiple growth levers in long run

Consumer Goods	Sharekhan code: HINDUNILVR		
Reco/View: Buy	↔	CMP: Rs. 2,343	Price Target: Rs. 2,755
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- HUL's Q3FY25 performance was in line with expectations, as revenues rose 1.4% y-o-y (volume growth flat y-o-y), OPM stayed stable at 23.2% and adjusted PAT was flat y-o-y.
- Demand remained subdued as urban growth continued to moderate, while rural sustained its gradual recovery. Management expects moderation in consumption trends to continue in the near term. OPM to remain at lower end of 23-24% for quarters ahead.
- Acquisition of Minimalist is a long-term positive and in line with HUL's strategy to expand its product portfolio in high growth demand spaces. HUL will acquire 90.5% stake in the company for Rs. 2,955 crore (5.9x EV/annualised sales).
- Stock has corrected by 23% from its recent high and trades at 53x, 50x and 44x its FY25E, FY26E and FY27E EPS, respectively. We retain a Buy with a revised PT of Rs. 2,755.

HUL's Q3FY25 performance was in line with expectations, with revenues growing by 1.4% y-o-y to Rs. 15,408 crore (versus expectation of Rs. 15,682 crore) with underlying volumes flat y-o-y. Homecare revenues grew by 5.4% y-o-y (high single-digit volume growth), beauty & well-being revenues grew by 1.4% y-o-y (low single-digit volume decline), personal care revenue declined by 3% y-o-y (mid single-digit volume decline), while foods & refreshments revenue stood flat y-o-y (mid single-digit volume decline). Input cost inflation (especially palm oil and tea) led to 83 bps y-o-y decline in the gross margins to 50.7%. Reduction in ad-spends helped OPM remain stable y-o-y at 23.2% (in-line with expectation of 23.2%). Adjusted PAT remained flat y-o-y at Rs. 2,543 crore (versus expectation of Rs. 2,588 crore). In line with HUL's strategy grow its Beauty & Wellbeing portfolio in the high growth masstige beauty segment, the company has announced acquisition of the premium actives-led beauty brand Minimalist - one of the fastest growing digital-first brands.

Key positives

- Home Care segment reported high-single digit volume growth in Fabric Wash and Household Care.
- PBIT margin of Personal Care and Foods & Refreshments rose by 186 bps and 111 bps y-o-y to 17.6% and 20.2%, respectively.

Key negatives

- Personal Care segment declined 3% y-o-y with mid-single digit fall in volumes.

Management Commentary

- Overall demand trends were muted for yet another quarter in Q3 as urban growth continued to moderate, while rural sustained its gradual recovery. Further, premium segment continued to grow faster compared to other segments and management expects the trend to continue.
- Management guided that HUL's absolute volume (tonnage) growth was positive in Q3. However, volume growth was hit by a negative mix as Homecare grew ahead of rest of the business (Homecare has lower realisations than HUL average) and small packs grew ahead of large packs.
- Tea and palm oil prices were 24% and 40% higher y-o-y, while crude oil prices cooled by 11% y-o-y in Q3. If commodity prices remain at current levels, HUL expects low single-digit price growth in Q4. Management expects OPM to remain at lower end of 23-24% in the near term with stringent cost management.
- Management indicated that 19-20% PBIT margin in Food & refreshments and 17-18% PBIT margin in personal care is sustainable. With continued investments in Beauty & wellbeing, PBIT margins to see some decline from 30% levels in the coming quarters.
- In line with HUL's strategy to transform its portfolio in fast-growing spaces, the company acquired the premium actives-led beauty brand Minimalist. HUL and the Minimalist team plans to unlock value through synergies and complementary capabilities and drive revenue growth and profitability for HUL in the long term.
- Scheme of arrangement for demerger of Ice-cream business was approved by the Board. Kwality Wall's (India) Limited was incorporated on January 10, 2025. It plans to list the demerged ice cream business of Kwality Walls and has declared 1:1 share entitlement ratio.

Revision in earnings estimates - We have reduced our earnings estimates for FY25E, FY26E and FY27E to factor in muted performance in Q3 and sluggish near term outlook.

Our Call

Valuation - Maintain Buy with a revised PT of Rs. 2,755: HUL saw another subdued quarter as demand trends continued to be muted. Though rural demand is recovering, slowing demand in the urban market has impacted the pace of overall recovery in the near term. The management is optimistic about the medium-term outlook focusing on premiumisation, targeting high growth spaces through new launches, growing core and leading channels of the future. The stock has corrected by 23% from its recent high and is trading at discount to its five-year average multiple. It trades at 53x, 50x and 44x its FY25E, FY26E and FY27E EPS, respectively. We retain a Buy on the stock with a revised PT of Rs. 2,755 (rolling over to FY27 earnings).

Key Risks

Sustained slowdown in urban demand or persistent volatility in key input prices from current levels would act as a key risk to our earnings in the near term.

Valuation (standalone)

	Rs cr				
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	59,144	60,469	61,602	65,166	71,149
OPM (%)	23.0	23.0	23.0	23.4	23.8
Adjusted PAT	10,024	9,900	10,359	11,131	12,452
Adjusted EPS (Rs.)	42.7	42.1	44.1	47.4	53.0
P/E (x)	54.9	55.6	53.2	49.5	44.2
P/B (x)	11.0	10.8	10.6	10.5	10.1
EV/EBIDTA (x)	40.0	38.9	37.9	35.1	31.5
RoNW (%)	20.3	19.6	20.1	21.3	23.3
RoCE (%)	25.6	25.9	26.8	28.5	31.1

Source: Company; Mirae Asset Sharekhan estimates

Soft Q3

HUL's revenues marginally grew by 1.4% y-o-y to Rs. 15,408 crore, in line with our expectation of Rs. 15,682 crore. Homecare revenues grew by 5.4% y-o-y, beauty & wellbeing revenue grew by 1.4% y-o-y, personal care revenue declined by 3% while foods & refreshment revenue stood flat y-o-y. Domestic sales volumes stood flat y-o-y. Gross margins declined by 83 bps y-o-y to 50.7% due to higher input prices. However, OPM stood stable y-o-y at 23.2% aided by lower advertisement spends (lower by ~8% y-o-y). OPM came in at par with our expectation of 23.2%. Operating profit and adjusted PAT stood largely flat y-o-y at Rs. 3,570 crore and Rs. 2,543 crore, respectively. Adjusted PAT came in largely line with our expectation of Rs. 2,588 crore. Reported PAT at Rs. 3,001 crore grew by 19% y-o-y majorly on account of profit from the divestment of 'Pureit' business. In 9MFY25, revenue grew by 1.4% y-o-y to Rs. 46,255 crore, OPM slightly fell by 20 bps y-o-y to 23.3% and adjusted PAT stood flat y-o-y at Rs. 7,737 crore.

Homecare – High-single digit volume growth; margins up y-o-y

- ◆ Revenues grew by 5.4% y-o-y to Rs. 5,742 crore, with volume growth in high-single digits.
- ◆ Growth was driven by high-single digit volume growth in Fabric Wash and Household Care.
- ◆ Fabric Wash performance was broad-based, across formats. Liquids portfolio maintained its double-digit growth trajectory. During the quarter, Rin bar was re-launched incorporating product enhancing superior technology and Comfort brand underwent a comprehensive re-launch aimed at further elevating brand superiority.
- ◆ Household Care achieved high-single digit volume growth led by outperformance in dishwash. The launch of Sun, HUL's new liquid dishwasher brand, is in line with our strategic intent to democratise liquids within the mass segment.
- ◆ PBIT margins rose by 62 bps y-o-y at 18.4%.

Beauty and wellbeing (Beauty) – Low single-digit volume decline; margins lower y-o-y

- ◆ Revenues grew by 1.5% y-o-y to Rs. 3,438 crore, with volumes declining in low single-digits.
- ◆ Hair Care delivered mid-single digit competitive volume growth driven by strong growth in Dove, Tresemme and Clinic Plus. Performance was broad-based across sachets and formats of the future. Dove's Hair and Scalp Therapy and Tresemme's Silk Press range were introduced to further strengthen future core and market makers portfolio.
- ◆ Skin care, impacted by delayed winter and Colour cosmetics had a muted quarter. Sequential improvement in mass skin performance was supported by portfolio expansion. Non-winter skin portfolio delivered a mid-single digit growth. Six big bets and channels of the future continued to deliver double-digit growth.
- ◆ Lakme's premium Rouge Bloom range, Glow and Lovely's Glass Bright cream and Pond's Youthful Miracle regime to name a few, were launched.

PBIT margins contracted by 292 bps y-o-y to 29.4%.

- ◆ Personal care (PC) – Mid-single digit volume decline; margins rose y-o-y
- ◆ Revenue fell by 3% y-o-y to Rs. 2,246 crore, with volumes declining in mid single-digits.
- ◆ Strategic actions in skin cleansing segment led to market share gains .
- ◆ Positive momentum witnessed in non-hygiene segment. Lifebuoy being relaunched to address declining hygiene segment. Bodywash continued to strengthen its market leadership with strong double-digit growth.

- ♦ Accelerating its premiumisation agenda, Dove's Serum Shower collection of soap and bodywash was launched in the quarter.
- ♦ Oral Care delivered mid-single digit growth led by Closeup.
- ♦ PBIT margins came in higher by 186 bps y-o-y to 17.6%.

Foods and Refreshments (F&R) – Mid single-digit volume decline; margins up y-o-y

- ♦ Revenues stood flat y-o-y at Rs. 3,745 crore, with volumes declining in mid single-digits.
- ♦ Tea delivered low-single digit growth led by premium brands such as 3 Roses and Taj Mahal. The category maintained its value and volume leadership.
- ♦ Coffee grew double-digit, led by strong performance in organized trade.
- ♦ Nutrition drinks continued to strengthen value and volume market leadership while category declined due to subdued consumption. Actions to accelerate consumption through adjustments to pricing architecture for consumption packs executed in the quarter.
- ♦ Packaged foods delivered mid-single digit growth led by strong performance in future core and market makers segments. Ketchup, Mayonnaise, Food Solutions, International Sauces and Cuisines continued their strong volume performance.
- ♦ Ice-cream revenue remained flat y-o-y.
- ♦ This quarter saw the launch of a new flavour of Knorr's Korean Noodles and expansion of Horlicks Strength Plus pan-India.
- ♦ PBIT margins rose by 111 bps y-o-y to 20.2%.

Acquisition of Minimalist: A strategic fit

- ♦ HUL has announced acquisition of 90.5% stake in Uprising Science Private Limited (USPL). USPL is engaged in the business of skin care and hair care under the brand Minimalist.
- ♦ The acquisition comprises secondary buyout for a cash consideration of Rs. 2,670 crore at a pre-money enterprise value of Rs. 2,955 crore (subject to adjustments as per the transaction documents) and a primary infusion of Rs. 45 crore. Transaction is expected to close in Q1FY26, subject to applicable regulatory approvals and customary closing conditions.
- ♦ Balance 9.5% will be acquired from the founders in two years as per terms set out in the transaction documents.
- ♦ The Minimalist team led by Mohit and Rahul will continue to run the business for a period of two years. HUL and Minimalist team will partner to unlock value through synergies and complementary capabilities.
- ♦ Minimalist is one of the fastest-growing digital-first brands that sits at the intersection of beauty and actives-led science. The acquisition is another step in the transformation journey of HUL's Beauty & Wellbeing portfolio towards evolving and higher growth demand spaces.
- ♦ The business has rapidly scaled to cross an Annual Revenue Runrate (ARR) of Rs. 500 crore in a short span of four years. Further, it has been built on robust fundamentals and has delivered profitable growth since inception.
- ♦ Management guided that post the acquisition, the brand can leverage 1) HUL's global R&D capabilities for portfolio expansion, 2) HUL's distribution capabilities to build offline presence, 3) Unilever's presence for international expansion and 4) HUL's supply chain for capacity and cost efficiencies.

Results (Consolidated)

Particulars	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	Rs cr q-o-q (%)
Net revenue	15,408.0	15,188.0	1.4	15,508.0	-0.6
Total Raw Material	7,601.0	7,367.0	3.2	7,593.0	0.1
Employee Expenses	684.0	649.0	5.4	765.0	-10.6
Advertising and promotions	1,466.0	1,593.0	-8.0	1,467.0	-0.1
Other Expenses	2,087.0	2,039.0	2.4	2,039.0	2.4
Total expenditure	11,838.0	11,648.0	1.6	11,864.0	-0.2
Operating Profit	3,570.0	3,540.0	0.8	3,644.0	-2.0
Other income	312.0	285.0	9.5	309.0	1.0
Interest	105.0	81.0	29.6	99.0	6.1
Depreciation	308.0	282.0	9.2	305.0	1.0
PBT	3,469.0	3,462.0	0.2	3,549.0	-2.3
Tax	926.1	920.7	0.6	928.3	-0.2
Adjusted PAT	2,542.9	2,541.3	0.1	2,620.7	-3.0
Extra-ordinary items	-458.1	22.3	-	11.7	-
Reported PAT	3,001.0	2,519.0	19.1	2,609.0	15.0
Adjusted EPS (Rs.)	10.8	10.8	0.1	11.2	-3.0
			bps		bps
GPM (%)	50.7	51.5	-83	51.0	-37
OPM (%)	23.2	23.3	-14	23.5	-33
NPM (%)	16.5	16.7	-23	16.9	-40
Tax rate (%)	26.7	26.6	10	26.2	54

Source: Company; Mirae Asset Sharekhan Research

Segmental performance

Particulars	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	Rs cr q-o-q (%)
Revenue					
Home Care	5,742.0	5,448.0	5.4	5,737.0	0.1
Beauty & Wellbeing	3,438.0	3,390.0	1.4	3,323.0	3.5
Personal Care	2,246.0	2,315.0	-3.0	2,412.0	-6.9
Food & Refreshments	3,745.0	3,733.0	0.3	3,803.0	-1.5
Others	237.0	302.0	-21.5	233.0	1.7
Total	15,408	15,188	1.4	15,508	-0.6
PBIT margins (%)					
Home Care	18.4	17.7	62	18.9	-59
Beauty & Wellbeing	29.4	32.4	-292	33.7	-430
Personal Care	17.6	15.7	186	16.6	96
Food & Refreshments	20.2	19.0	111	18.1	202

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volume growth recovery to be gradual

Demand environment continued to be muted in Q3 with rural growth outpacing urban growth for another quarter. Monsoon season was above normal and well spread out, which will help agri production to be better in the current year. This will not only boost rural consumption but will also help agri inflation to stabilise in the near term. Revenue growth in the near term would be driven by mix of volume and price-led growth as most companies have taken price increases to mitigate the impact of higher input costs. Global uncertainties will lead to volatility in raw material prices and currency movement. This will put pressure on the margins of the consumer goods companies in the quarters ahead. We expect operating profit growth to be lower as compared to revenue growth in the near term. On the other hand, an increase in commodity prices will reduce the competition intensity from small/regional players in the quarters ahead.

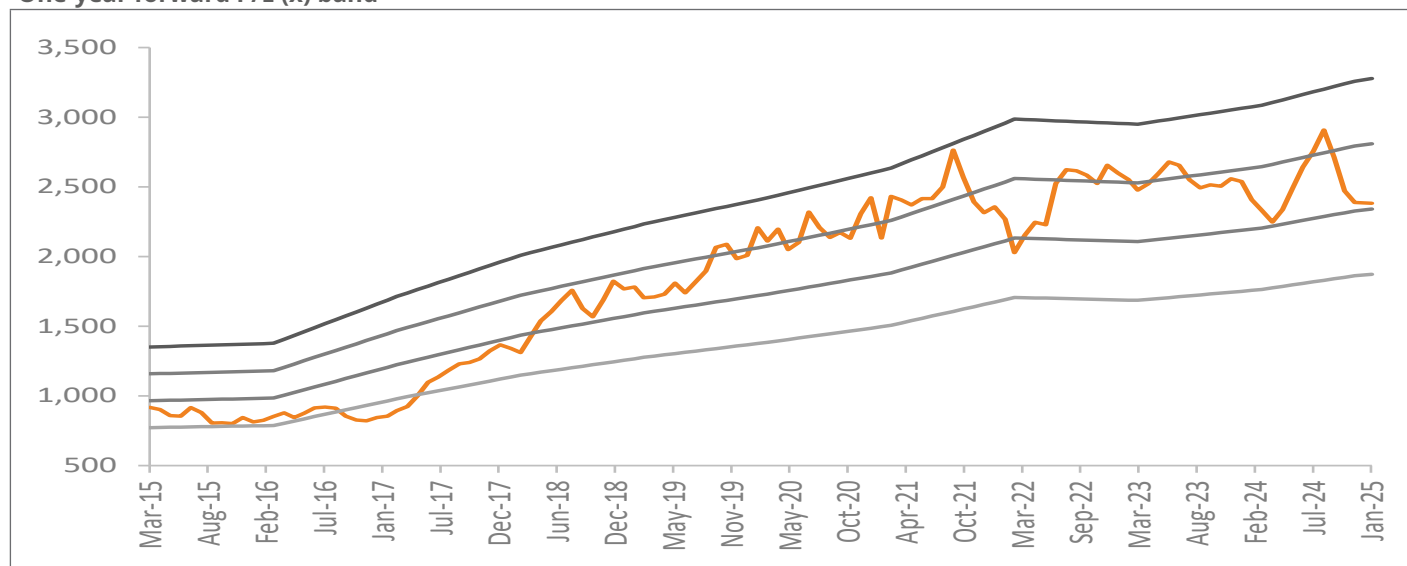
■ Company Outlook – Focus remains on achieving competitive volume growth

HUL's Q3FY25 numbers were soft, with low single-digit revenue growth and OPM and adjusted PAT remaining flat. Recovery in rural demand, better offtake for out-of-home categories, addition of relevant products in the portfolio and sustained improvement in penetration in key categories remain key growth drivers in the near term. The company is well-poised to achieve good growth in the coming years with a leadership position in over 85% of the portfolio and a presence in more than nine million stores. A better product mix, operational efficiencies and integration benefits would help margins to improve in the coming years. However, volatility in prices of key raw materials and continued focus on A&P spends will moderate the rise in margins.

■ Valuation – Maintain Buy with a revised PT of Rs. 2,755

HUL saw another subdued quarter as demand trends continued to be muted. Though rural demand is recovering, slowing demand in the urban market has impacted the pace of overall recovery in the near term. The management is optimistic about the medium-term outlook focusing on premiumisation, targeting high growth spaces through new launches, growing core and leading channels of the future. The stock has corrected by 23% from its recent high and is trading at discount to its five-year average multiple. It trades at 53x, 50x and 44x its FY25E, FY26E and FY27E EPS, respectively. We retain a Buy on the stock with a revised PT of Rs. 2,755 (rolling over to FY27 earnings).

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Nestle India	-	65.8	59.2	-	44.2	38.9	-	106.1	113.5
ITC	26.1	23.4	20.6	21.4	18.5	16.1	30.9	33.4	34.9
Godrej Consumer Products	58.0	57.1	43.5	41.9	41.7	34.0	17.1	16.9	19.3
HUL	55.6	53.2	49.5	38.9	37.9	35.1	25.9	26.8	28.5

Source: Company; Mirae Asset Sharekhan Research

About the company

HUL is India's largest FMCG company with presence of more than 90 years. The company is a subsidiary of Unilever Plc (that holds a 62% stake in HUL), the world's largest consumer goods company present across 190 countries. It has a strong portfolio in the homecare and beauty and personal care categories. With over 50 brands spanning 16 distinct categories such as personal wash, fabric wash, skin care, hair care, oral care, deodorants, colour cosmetics, beverages, ice creams, frozen desserts, and water purifiers, HUL is part of the everyday life of millions of consumers across India. The company's portfolio includes leading brands such as *Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, and Axe*. Out of the company's portfolio of over 50 brands, 19 brands have a turnover exceeding Rs. 1,000 crore per annum (FY24).

Investment theme

HUL has a leadership position in highly penetrated categories such as soaps, detergents, and shampoos in India. The company maintained its leadership position in more than 85% of business (FY24). Sustaining product innovation, entering new categories, premiumisation, and increasing distribution network remain some of the company's key revenue drivers. A strong financial background, robust cash-generation ability, and leadership position in some of the key categories give HUL an edge over other companies and, hence, justify the stock's premium valuation. With strategies in place, we expect the company to clock 6%/8% revenue/PAT CAGR over FY2024-27E.

Key Risks

- ♦ **Slowdown in the demand environment:** Any slowdown in demand (especially in rural India) would affect sales of key categories, resulting in moderation of sales volume growth.
- ♦ **Increased input prices:** Palm oil and crude derivatives such as linear alkyl benzene are some of the key raw materials used by HUL. Any significant increase in the prices of some of these raw materials would affect profitability and earnings growth.
- ♦ **Increased competition in highly penetrated categories:** Increased competition in highly penetrated categories such as soaps and detergents would act as a threat to revenue growth.

Additional Data

Key management personnel

Nitin Paranjpe	Chairman
Rohit Jawa	Chief Executive Officer and Managing Director
Ritesh Tiwari	Executive Director, Finance & IT and Chief Financial Officer
Dev Bajpai	Executive Director, Legal & Corporate Affairs and Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp. of India	5.31
2	SBI Funds Management Ltd.	1.66
3	Vanguard Group Inc.	1.60
4	Blackrock Inc.	1.50
5	ICICI Prudential AMC Ltd.	1.19
6	UTI AMC Ltd.	0.51
7	Kotak Mahindra AMC Ltd.	0.48
8	Nippon Life India Asset Management	0.44
9	Norges Bank	0.43
10	HDFC Asset Management Co. Ltd.	0.36

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.