

Hindustan Unilever

CMP: INR2,642

TP: INR3,100 (+17%)

Buy



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Stock Info

Bloomberg	HUVR IN
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	6207 / 75.3
52-Week Range (INR)	2741 / 2100
1, 6, 12 Rel. Per (%)	-1/-3/5
12M Avg Val (INR M)	4047
Free float (%)	38.1

Financials Snapshot (INR b)

Y/E Mar	2023	2024E	2025E
Sales	591.4	651.2	725.9
Sales Gr. (%)	15.5	10.1	11.5
EBITDA	136.3	154.6	177.2
Margins (%)	23.0	23.7	24.4
Adj. PAT	100.2	112.7	128.5
Adj. EPS (INR)	42.7	48.0	54.7
EPS Gr. (%)	13.2	12.5	14.0
BV/Sh.(INR)	213.7	207.7	200.3

Ratios

RoE (%)	20.3	22.8	26.8
RoCE (%)	26.8	30.4	36.1
Payout (%)	91.4	112.6	113.4

Valuations

P/E (x)	61.9	55.1	48.3
P/BV (x)	12.4	12.7	13.2
EV/EBITDA (x)	45.1	39.7	34.7
Div. Yield (%)	1.5	2.0	2.3

Digitalization aiding business growth

We present key points from Hindustan Unilever's (HUVR) FY23 Annual Report:

- **Gaining market share:** HUVR now has 19 brands with over INR10b in annual sales (vs. 16 brands last year). In FY23, its growth significantly beat the market, leading to strong market share gains.
- **Digital transformation:** HUVR is moving from the traditional linear value chain to an ecosystem across consumer, customer, 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.
- **Evolving distribution landscape:** HUVR's B2B app, Shikhar, is now present in 1.2m retail outlets. Its D2C business has grown to 16 brand websites and covers around 9m retail stores. It is also the first FMCG company to participate in the Open Network for Digital Commerce (ONDC), an initiative by the Indian government to democratize e-commerce.
- **Royalty agreement:** HUVR had a royalty and central services arrangement with Unilever valid for 10 years ended on 31st Jan'23, with 2.65% royalty in FY22. It would rise to 3.45% over a period of three years, but acquisitions by HUVR in the last few years, especially GSKCH brands for which HUVR owns brand rights, mean that royalty was at 2.65% at the end of the tenure.
- **Beauty and Personal Care (BPC):** HUVR now has five digital-first brands – Simple, Love Beauty & Planet, Baby Dove, Acne Beauty and Find Your Happy Place. It continues to expand its premium portfolio. Its content hub 'BeBeautiful', 'Lakmé's Virtual Try-ons', and 'SmartPick' are helping consumers to experience products and understand the latest trends.
- **Health and Wellbeing:** HUVR has forayed into the fast-growing demand segments of 'Health and Wellbeing' through strategic partnerships with two young science-backed brands 'OZiva' and 'Wellbeing Nutrition'.
- **Health and Beauty segment:** HUVR plans to invest in route-to-market and in-store execution interventions in pharma and beauty channels. It continues to engage with medical professionals and build advocacy for its brands through an expert channel.
- **Home Care:** The size of its Home care liquids business has doubled in the last three years to over INR30bn in annual turnover. Surf Excel continues to lead in premiumization and crossed USD1b in annual turnover, becoming the first home and personal care brand in India to achieve this milestone.
- **Financial highlights:** In FY23, HUVR's revenue grew by 15.5% YoY to INR591.4b, exceeding market growth. The company posted a 4.8% increase in underlying volume. Despite inflationary pressures, EBITDA margin remained strong at 23%. PAT reached INR100.2b, resulting in a 13% YoY increase in EPS to INR42.7 per share. The dividend payout ratio stood at 91%, compared to 90% in FY22. CFO rose by 7.4% to INR96.3b, with a two-year CAGR of 3.7%, and FCF increased by 7% YoY to INR87.7b. HUVR generated ROE of 20% and ROCE of 27% in FY23, up from 18% and 25% in FY22, respectively. The company achieved efficient net working capital days of (-16 days) in FY23.

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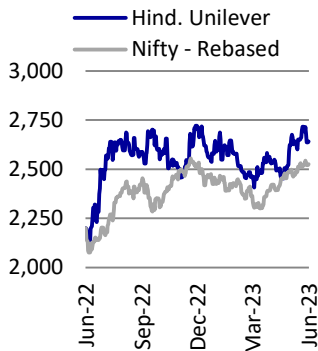
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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	61.9	61.9	61.9
DII	11.6	11.6	11.6
FII	14.4	14.3	13.7
Others	12.2	12.2	12.8

Stock Performance (1-year)**Valuation and view**

- HUVR remains confident about its ability to achieve Consistent, Competitive, Profitable, and Responsible (4G) growth while maintaining double-digit EPS growth. The recent increase in royalty and central service fees has not affected its commitment to invest in business growth and its ability to deliver growth in revenue and profit.
- 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. HUVR's performance has been even more impressive in the last 3/5 years, with an EBITDA CAGR of 12.4%/13.4% and a PAT CAGR of 14.1%/13.6%.
- With the expectation of a normal monsoon, a gradual recovery in rural areas, and a reduction in commodity costs, HUVR is expected to regain its mid-to-high teens earnings growth trajectory it exhibited for the four years before Covid.
- We maintain our **BUY** rating on the stock with a TP of INR3,100.

Annual Report highlights

Strengthening its technological superiority

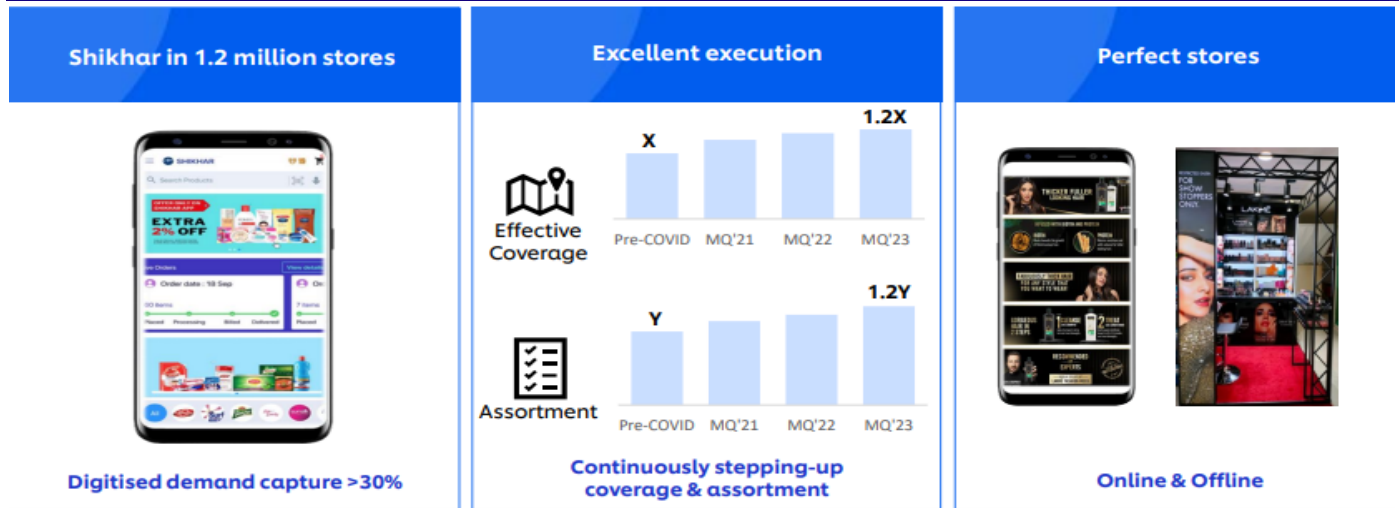
- The FMCG industry is undergoing a rapid transformation, led by digitization in the country. Digital and technological advancements have led to fragmentation of consumer choice, new channel shifts and the creation of service ecosystem. HUVR has continued to put a big thrust on leveraging technology and data-driven decision-making.
- HUVR is deploying end-to-end digitization in its factories, which enables it to further improve speed and cost efficiency, and become more sustainable. Its factory in Dapada became the first manufacturing site in the Indian FMCG industry to join the World Economic Forum's Global Lighthouse Network, the world's most digitally advanced factories. Through its Samadhan warehouse project and other digital initiatives, HUVR endeavors to maximize its next-day delivery to customers.
- HUVR's e-B2B app, Shikhar, now has reached 1.2m retail outlets, enabling them to conveniently place orders with distributors at any time. Shikhar also helps in Project Shakti where it taps into rural demand through designated women entrepreneurs in every village called Shakti Ammas. Till now, it has onboarded ~ +100k women entrepreneurs on the app.
- HUVR is one of the first FMCG companies participating in ONDC, a path-breaking initiative by the Government of India to democratize digital commerce in the country. The company believes ONDC gives it a unique opportunity to reach out to many more customers.
- HUVR has set up an agile Innovation Hub that helps in early trend spotting, digital prototyping and deployment, significantly reducing the time from ideation to the product launch.
- Traditional Kirana stores, which continue to be the largest ecosystem for consumers to access FMCG brands, are witnessing the evolution of e-B2B and e-B2C offerings. At the same time, organized retail is undergoing consolidation and the customer base is expanding with omni-channel offerings.

Exhibit 1: Enhanced agility and responsiveness with the aid of technology



Source: Company, MOFSL

Exhibit 2: Digital distribution reach



Source: Company, MOFSL

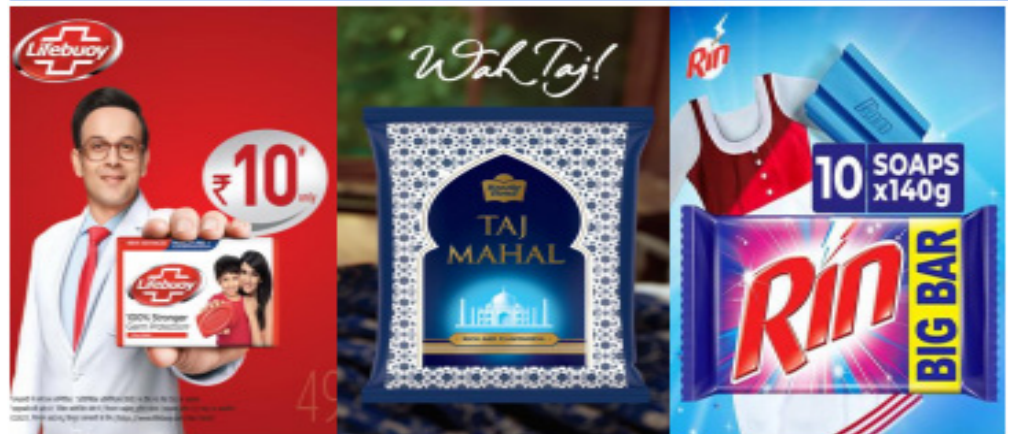
Evolving consumer preferences through premiumization

- Rising affluence, large working population, nuclear family structures, urbanization and the rapidly increasing adoption of technology will boost growth of the FMCG industry in the country.
- In order to help in every stage of the consumer journey, from insights to innovation, to deployment, to awareness and to final purchase decision, HUVR is using an agile Innovation system. Its content hubs (BeBeautiful), consumer trial (Smartpick), and D2C websites partner consumers in their journey from consideration to purchase.
- The company has significantly invested in products by using the best of science and technology to drive product superiority and is getting a good response from consumers. Its blind tests indicate that now it has 2x more superior products compared to three years ago.
- In order to cater to the need for niche premium products, HUVR has set up seven nano factories, which are fully functioning, and mini production lines that

house everything that needs to produce a batch of final products without impacting the cost. Its latest demand planning and forecasting tools shorten the planning cycles to respond to market demand fluctuations in real time.

- Despite being one of the fastest-growing markets globally for FMCG products, India's per capita FMCG consumption is still among the lowest in the world. The impact of a slowdown was seen more in rural markets, while urban markets led growth supported by normalization in economic activities after a couple of years of Covid-induced disruptions.

Exhibit 3: Product Superiority up by 2x over last three years



2X more superior products vs 2019

Source: Company

Other points

- **Scaling new highs** – Surf Excel has become the first Home & Personal Care brand in India to cross USD1b in turnover. Its Home Care liquids crossed INR30b in turnover, led by effective market development actions. Vim is recognized by Kantar for the fastest consumer reach growth globally in the last decade.
- **Gaining market share:** More than 75% of HUVR's portfolio is gaining market share, both in value and volume terms. It has gained market share across price segments and regions. In FY23, it gained a handsome market share (Hair Care reached its highest ever market share).

Exhibit 4: Various brands scaling new highs

FY'23 Turnover

₹50 Bn+



₹20 Bn+



₹10 Bn+

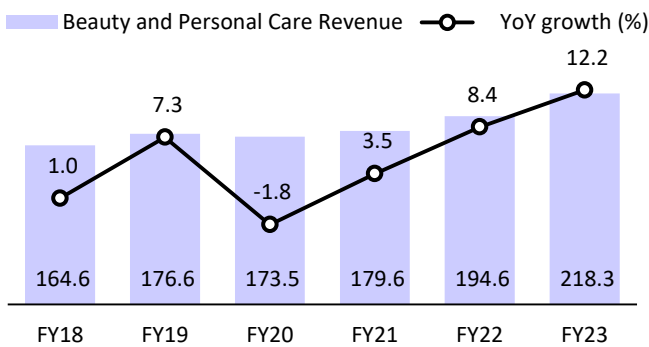


Source: Company

Key segmental highlights

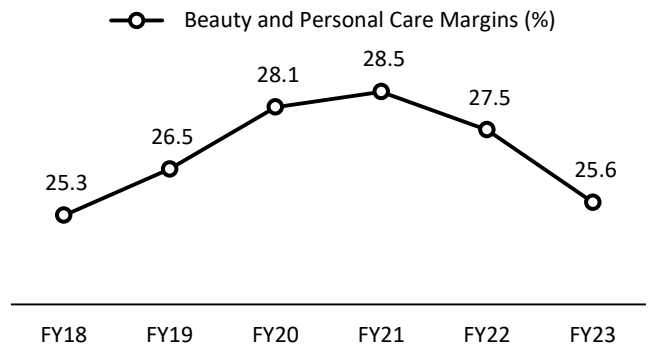
A) BPC: Continues to invest in core business

Exhibit 5: BPC revenue grew 12.2% YoY...



Source: MOFSL, Company

Exhibit 6: ...while margin dropped 190bp YoY



Source: MOFSL, Company

HUVR is growing its core business by investing in brands that deliver positive beauty and healthy lifestyles. BPC grew 12%, led by a strong broad-based performance across categories. It now has five digital-first brands – Simple, Love Beauty & Planet, Baby Dove, Acne Squad and Find Your Happy Place. Its innovations include 1) the expansion of its hair care portfolio with products such as hair serums and masks, and 2) the expansion of its skin care portfolio with hydration, sun-care, anti-ageing, and holistic glow.

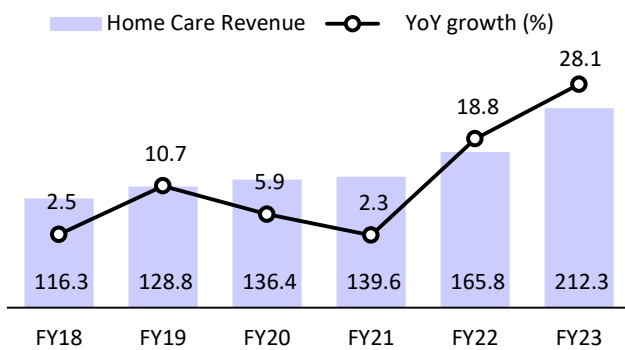
- Hair Care:** HUVR has achieved the highest-ever market share in hair care. Clinic Plus spread its magic of purposeful marketing with the inspiring 'Meri Beti Strong' campaign. Dove has launched a culturally nuanced communication with a winning product design for consumers in South India.
- Premium beauty and market development:** HUVR's Lakme, Glow & Lovely, Lifebuoy and Lux were rated as India's most valuable brand by Kantar Brandz 2022. The company is doing on-trend and relevant innovations to meet the

emerging demand such as Dove Hair Fall Therapy, Lakmé Vitamin C, Pond’s Light Hydration, Lakmé Sunscreen, and TRESemmé Pro Pure.

- 3) **Digital-first premium:** HUVR has five brands, including two newly launched brands, Acne Squad and Find Your Happy place. Acne Squad includes 11 skincare products and curated regime kits, while Find Your Happy Place has four mood-transforming experiential bath and body ranges.
- 4) **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’. The company aims to scale these businesses further by leveraging their complementary expertise and capabilities.
- 5) **New launches:** (1) , TRESemmé launched the Pro Pure range in the clean beauty space, (2) Indulekha launched hair serum and mask to take the ayurvedic in new formats , (3) an extensive beauty brand Novology in the growing segment of Derma-therapeutic Care, (4) Lakmé launched Lumi Cream—a combination of moisturizer and highlighter, Skin Dew serum in a foundation to bring the make-up benefits in skin care, (5) Kissan Hazelnut Choco Peanut spread, (6) Millet Chocolate Horlicks containing Calcium, Iron, Protein, and Fiber.

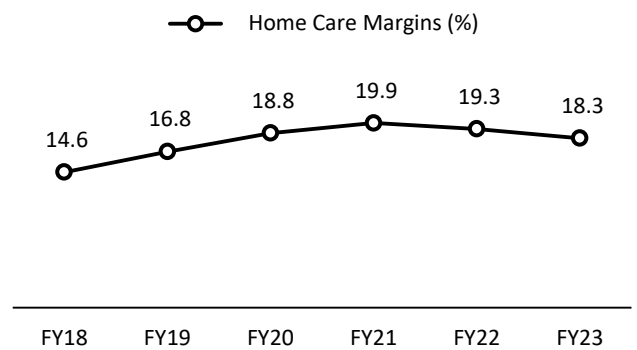
B) Home Care: Increased relevance; market share gains

Exhibit 7: Home Care revenue grew at healthy 28.1% YoY



Source: MOFSL, Company

Exhibit 8: Margins declined 100bp YoY



Source: MOFSL, Company

The Home Care business grew 28%, leading to market share gains across the portfolio, both in value and volume terms. Fabric Care and Household Care delivered high double-digit competitive growth, driven by market development. Surf Excel crossed USD1b in annual turnover, becoming the first HPC brand in India to achieve this milestone. The size of its Home care liquids business has doubled in the last three years to over INR30bn in annual turnover.

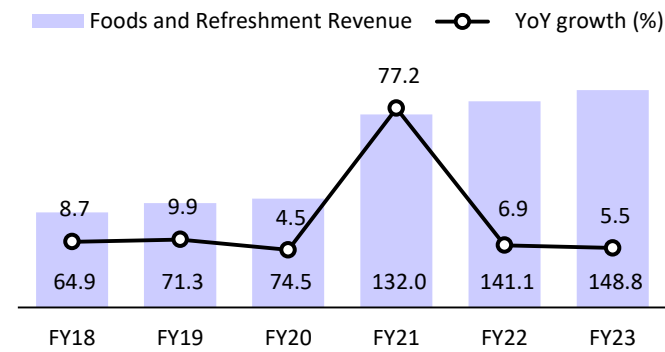
- 1) **Fabric Wash:** With the changing demographics in the country, the need for more convenient ways of cleaning and laundry continue to develop. Fabric Care business has developed strong expertise in seeding and scaling new categories. Led by effective market development, it has been able to drive relevance for liquid detergents, matic liquids and fabric conditioners. It has launched Surf Excel Matic concentrate liquid that provides powerful cleaning with half the usual dosage.
- 2) **Dishwashing:** Vim was recognized by Kantar for its fastest-growing consumer reach in the last decade across FMCG brands globally. Vim’s campaign, ‘Nazariya

Badlo, Dekho Bartano Se Aage’, won the ‘Un-stereotype’ award at Kantar’s Creative Effectiveness Awards 2022.

- 3) **Water purifier:** Pureit has launched Pureit Vital Series, a new range of RO+ UV+ Minerals -based water purifiers that remove toxic substances like industrial chemicals, pesticides, pathogens to provide safe drinking water.

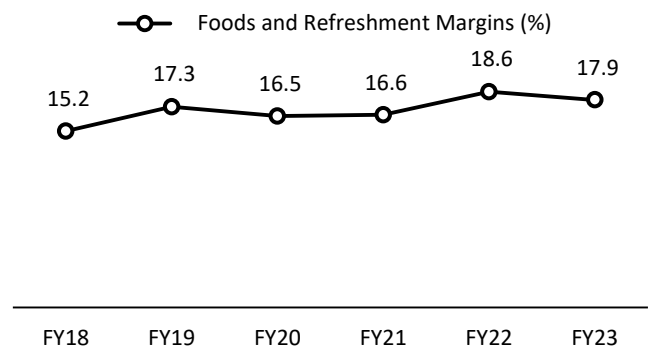
C) Foods & Refreshment: Growth witnessed in overall portfolio

Exhibit 9: Food and Refreshment segment reported 5.5% growth YoY in revenue...



Source: MOFSL, Company

Exhibit 10: ...but margin decreased 70bp YoY



Source: MOFSL, Company

HUVR’s Foods & Refreshment business grew 5%, led by a strong performance in Ice Cream, Foods, and Coffee.

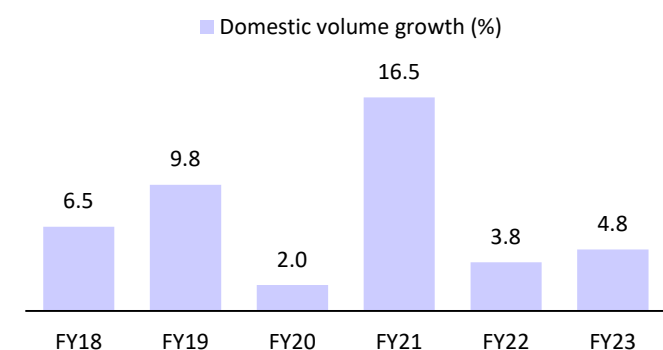
- 1) **Foods:** It witnessed high double-digit growth, led by Ketchup, Jams and Soups. During the year, Kissan introduced a new variant of Peanut Butter in Hazelnut Choco flavor. HUVR also relaunched its Jams and Ketchup brand Kissan with new packaging.
- 2) **Refreshment:** The tea business delivered a strong performance, strengthening value and volume market leadership and leveraging the WiMI strategy to deliver superior products, which are tailor-made for varied consumer tastes. Bru has introduced three new premium offerings of Beaten Coffee, Freeze Dried Coffee and Decoction to capitalize on the growing popularity of coffee.
- 3) **Out-of-Home Portfolio:** During the year, the Ice Cream business delivered high double-digit growth, led by innovations and brilliant execution. To de-seasonalize Ice Cream, HUVR has expanded consumption occasions through innovative campaigns and launching exclusive products such as ‘Nolen Gur’ and ‘Gulab Jamun’ Ice Cream, centered around Indian festivals.
- 4) **Nutrition:** During the year, it gained market share and increased penetration on the back of focused market development actions and communications. With the recent rise in milk prices, HUVR piloted a new 3-in-1 Ready-Mix variant of Horlicks that provides children with similar nutrition as available from a glass of milk and Horlicks at a more affordable price.

Exhibit 11: Key matrix

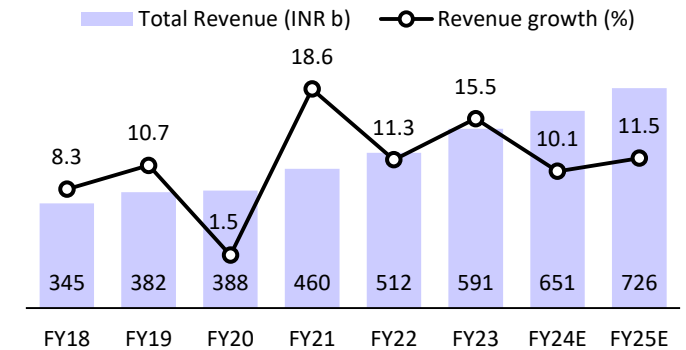
Particulars (INR b)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Beauty and Personal Care							
Revenue	163	164.6	176.6	173.5	179.6	194.6	218.3
YoY growth (%)	1.8	1.0	7.3	-1.8	3.5	8.4	12.2
Contribution to total turnover (%)	47.3	46.8	46.2	44.7	39.1	39.0	37.0
EBIT	38.5	41.6	46.9	48.7	51.3	53.5	56.0
YoY growth (%)	1.2	8.1	12.7	3.8	5.3	4.4	4.5
Margins (%)	23.6	25.3	26.5	28.1	28.5	27.5	25.6
Contribution to total EBIT (%)	64.9	60.9	58.0	56.2	49.7	50.0	44.0
Home Care							
Revenue	113.5	116.3	128.8	136.4	139.6	165.8	212.3
YoY growth (%)	4.9	2.5	10.7	5.9	2.3	18.8	28.1
Contribution to total turnover (%)	32.9	33.0	33.7	35.2	30.3	30.0	36.0
EBIT	12.6	17.0	21.6	25.6	27.7	31.9	38.8
YoY growth (%)	19.6	34.9	27.1	18.5	8.2	15.3	21.4
Margins (%)	11.1	14.6	16.8	18.8	19.9	19.3	18.3
Contribution to total EBIT (%)	21.2	24.8	26.8	26.6	26.9	27.0	31.0
Foods and Refreshment							
Revenue	59.7	64.9	71.3	74.5	132.0	141.1	148.8
YoY growth (%)	7.1	8.7	9.9	4.5	77.2	6.9	5.5
Contribution to total turnover (%)	17.3	18.4	18.7	19.2	28.7	29.0	25.0
EBIT	8.4	9.9	12.4	12.3	21.9	26.2	26.6
YoY growth (%)	6.3	17.9	25.3	-0.8	78.0	19.8	1.5
Margins (%)	14.1	15.2	17.3	16.5	16.6	18.6	17.9
Contribution to total EBIT (%)	14.2	14.4	15.3	14.2	21.2	21.0	21.0

Overall financial performance

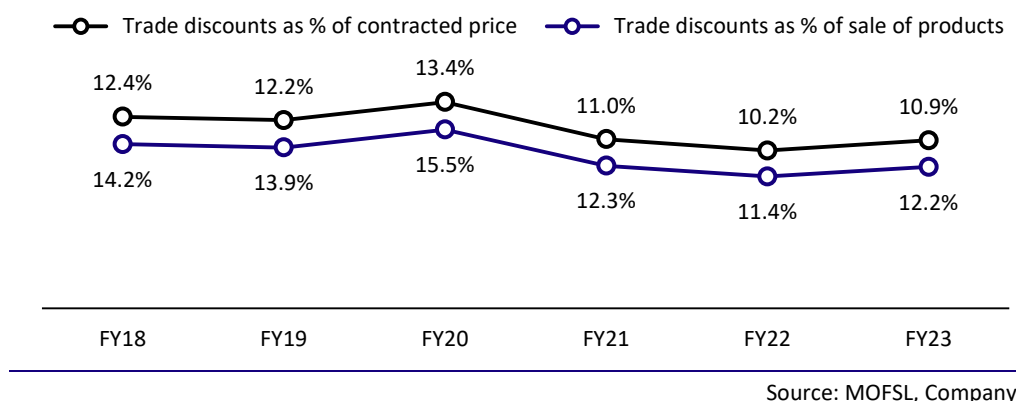
- Revenue grew 15.5% YoY in FY23, while volume growth was subdued at 4.8%.
- FY23 gross margin and EBITDA margin were affected by high commodity costs.
- PAT increased 13% to INR100.2b (two-year CAGR at 11.1%); cash flow from operations (after taxes) increased 7.4% to INR96.3b (two-year CAGR at 3.7%).
- FCF increased 7% YoY to INR87.7b (two-year CAGR stood at 32.4%).

Exhibit 12: Volume growth (incl. GSKCH) at 4.8% in FY23...

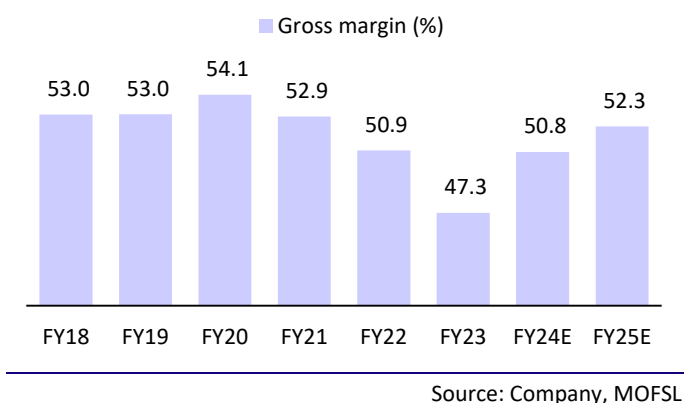
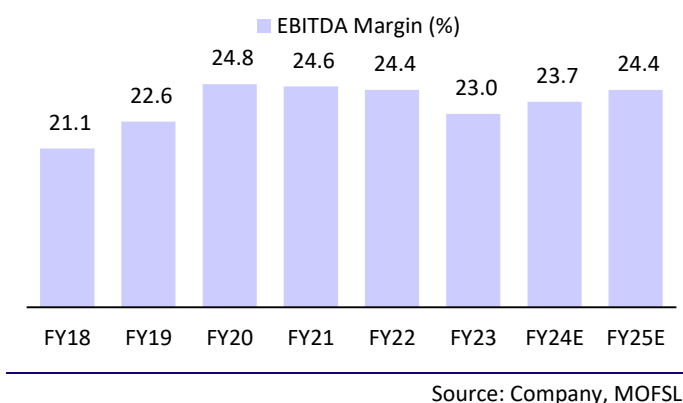
Source: Company, MOFSL

Exhibit 13: Total revenue grew in double digits

Source: Company, MOFSL

Exhibit 14: Trade discounts rose in FY23

- Gross margin contracted 360bp to 47.3% and EBITDA margin declined 140bp YoY to 23%. The margin performance was aided by savings in A&P spending, employee benefits and other expenses. Other expenses as a percentage of sales declined for HUVR compared to its peers.

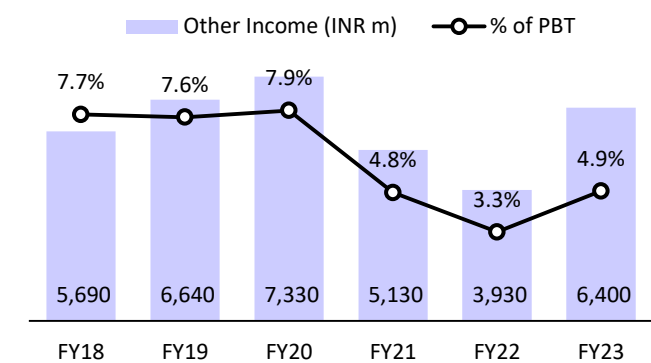
Exhibit 15: FY23 gross margin lower on steep RM inflation**Exhibit 16: EBITDA margin declined 140bp to 23% in FY23****Exhibit 17: Other expenses (incl. A&P) to sales trend over past six years**

Companies	FY18	FY19	FY20	FY21	FY22	FY23
HUVR	26.9	25.8	25.0	23.4	21.8	19.8
Britannia	19.2	21.0	20.2	18.8	18.6	19.8
Colgate	30.6	30.7	31.3	29.3	29.0	28.9
Dabur	19.3	18.2	18.4	18.2	17.6	17.0
Emami	29.5	28.4	28.0	26.4	26.4	28.6
GCPL	24.9	24.7	25.1	23.5	21.1	22.2
ITC	14.7	15.0	15.7	16.7	14.4	15.0
Marico	22.0	21.1	22.2	20.1	19.0	20.0
Nestle	24.0	24.8	23.9	22.1	22.1	22.5
P&G Hygiene and Healthcare	31.1	32.9	37.0	39.4	35.9	32.4

Source: Company, MOFSL

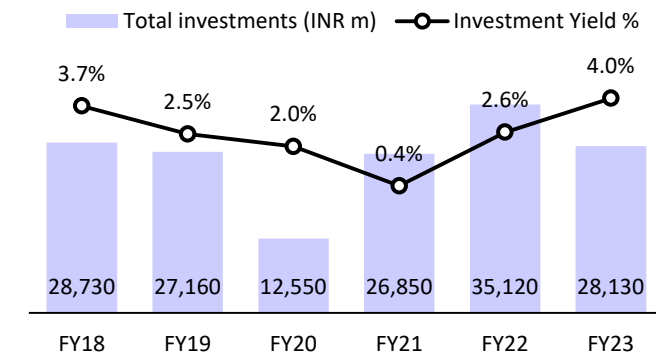
- Other income increased to INR6,400m in FY23 vs. INR3,930m in FY22. As a percentage of PBT, other income increased to 4.9%. Investment yield rose to 4.0% in FY23 vs. 2.6% in FY22.

Exhibit 18: Other income rose to 4.9% as percentage of PBT



Source: MOFSL, Company

Exhibit 19: Investment yield increased to 4% in FY23



Source: MOFSL, Company

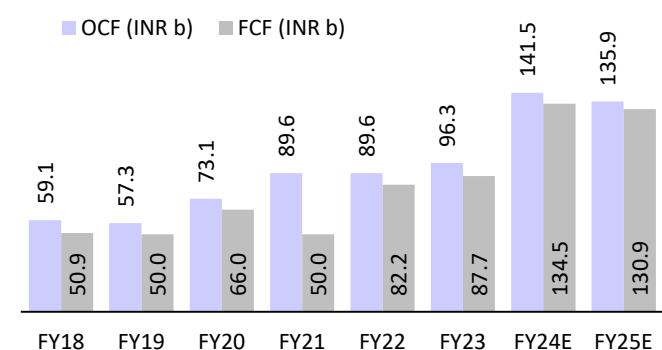
- Working capital deteriorated by 5 days YoY (on a year-end basis) and stood at negative 16 days. This was due to a decline in creditor days by 5 days and an increase in debtor days by 3 days. Inventory days declined by 3 days.
- RoE rose by 1.8pp to 20.3% in FY23. The FCF-to-PAT conversion stood at 87.4% in FY23 vs. 92.9% in FY22.

Exhibit 20: Cash conversion cycle worsens in FY23

Cash conversion cycle	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Days (Average)										
Debtors	11	11	11	13	13	11	13	14	15	13
Inventory	30	28	25	23	24	24	26	24	25	26
Creditors	65	68	69	67	68	64	62	56	61	66
Average days	-24	-28	-33	-31	-31	-29	-24	-17	-22	-26
Days (Year-end)										
Debtors	13	11	12	16	10	13	14	17	14	14
Inventory	30	27	25	23	25	27	28	25	28	28
Creditors	69	69	74	68	70	68	63	58	70	69
Total days	-26	-31	-37	-28	-35	-29	-22	-16	-28	-27

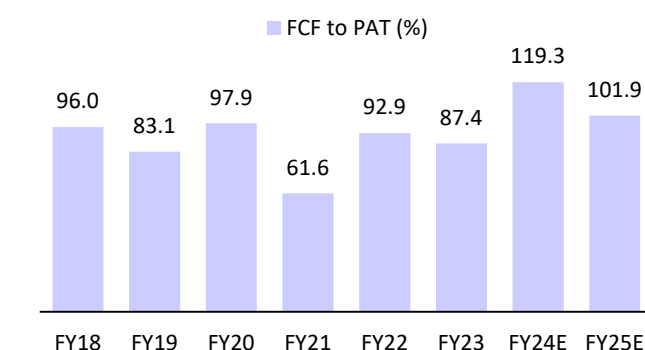
Source: Company, MOFSL

Exhibit 21: Consistent OCF and FCF generation



Source: Company, MOFSL

Exhibit 22: FCF/FCF-to-PAT declined 550bp to 87.4% in FY23



Source: Company, MOFSL

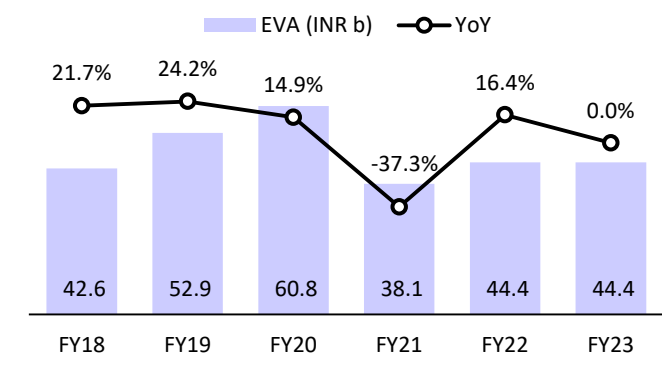
Exhibit 23: Du-Pont analysis

Particulars	FY18	FY19	FY20	FY21	FY22	FY23
PAT Margin (PAT/Net sales)	15.3	15.8	17.4	17.7	17.3	16.9
Asset T/O (Net sales/ avg assets)	5.1	5.2	4.9	1.7	1.1	1.2
Leverage factor (avg assets/ avg equity)	1.0	1.0	1.0	1.0	1.0	1.0
ROE	78.1	81.7	86.0	29.3	18.4	20.3

Source: MOFSL, Company

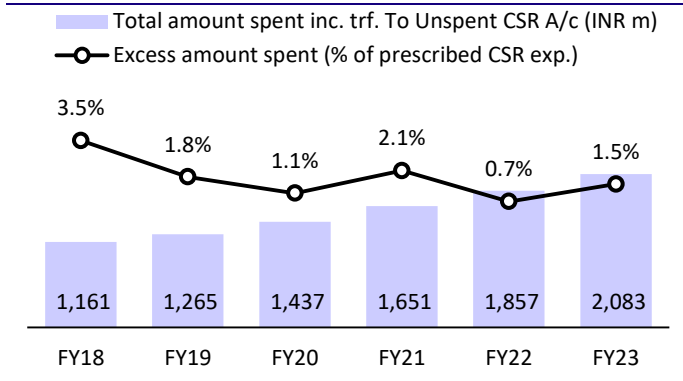
- Economic value addition consistently improved during FY12-22 (except in FY21 due to Covid), while it remained flat YoY at INR44.4b in FY23.
- HUVR is consistently spending more than the 2% prescribed CSR spending over the past six years. Some of the areas of its CSR spending are Covid-related relief work, water conservation programs, community hygiene centers, etc.

Exhibit 24: EVA flat YoY at 44.4b in FY23



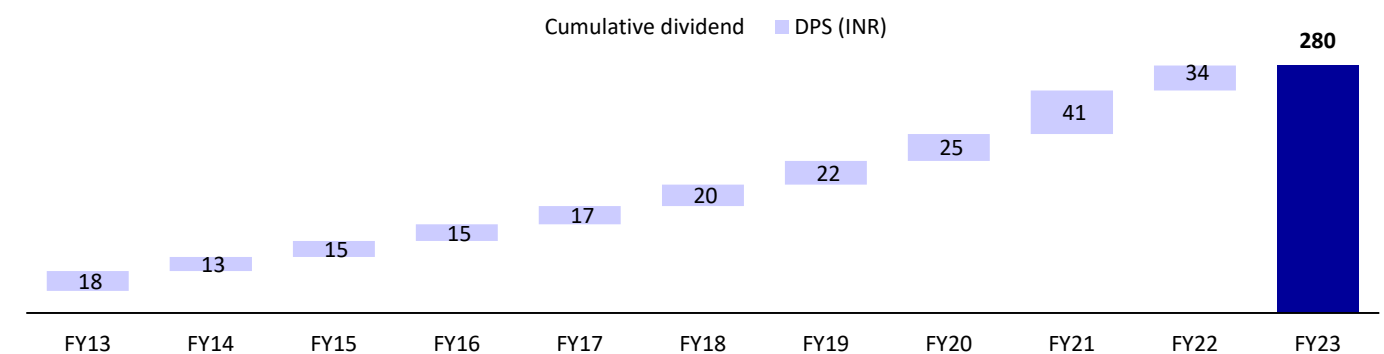
Source: MOFSL, Company

Exhibit 25: Spending more than prescribed CSR expenses



Source: MOFSL, Company

Exhibit 26: Cumulative yield of >55% on CMP of INR466 (1st Apr'13)



Source: Company, MOFSL

Exhibit 27: HUVR has consistently delivered superior returns to shareholders vs. benchmark indices

Date of Purchase	HUVR Perf (%)	Nifty Perf (%)	Sensex Perf (%)	Relative to Nifty Per (%)	Relative to Sensex Per (%)
28-Mar-13	449	205	213	243	236
31-Mar-14	324	159	164	165	160
31-Mar-15	193	104	111	89	82
31-Mar-16	194	124	133	70	61
31-Mar-17	181	89	99	92	82
28-Mar-18	92	72	79	20	13
29-Mar-19	50	49	53	0	-3
31-Mar-20	11	102	100	-91	-89
31-Mar-21	5	18	19	-13	-14
31-Mar-22	25	-1	1	25	24

Source: Company, MOFSL

- Total managerial remuneration declined 5.4% YoY to INR464m. The two-year CAGR stood at 13%.

Exhibit 28: Managerial remuneration declined 5.4% YoY (two-year CAGR 13%)

Remuneration (INR m)	FY18	FY19	FY20	FY21	FY22	FY23
CEO and MD	194	189	194	154	221	224
YoY %		-2.6	2.6	-20.6	43.3	1.3
CFO	42	49	51	71	74	75
YoY %		16.7	4.1	39.2	3.9	1.5
ED Supply Chain	55	59	75	81	115	70
YoY %		7.3	27.1	8.0	42.3	-38.9
ED Legal and Corporate	60	68	55	55	80	95
YoY %		13.3	-19.1	0.0	45.5	18.2
<i>Total Remuneration</i>	351	365	375	361	490	464
YoY %		4.0	2.7	-3.7	35.7	-5.4
Remuneration as % of staff cost	2.2	2.1	2.1	2.1	2.2	1.9
Remuneration as % of EBITDA	0.5	0.4	0.4	0.3	0.4	0.3
Remuneration as % of PAT	0.7	0.6	0.6	0.5	0.6	0.5

Source: Company, MOFSL

Change in key management positions

- **Mr. Rohit Jawa** is appointed as CEO and MD of the company with effect from 27th Jun'23.
- **Mr. Sanjiv Mehta** will step down as CEO and MD of the company after a transformational tenure of 10 years at the helm of the company. He will join Danone Board of Directors, a French food giant, with effect from 1st Jul'23.
- **Mr. Wilhelmus Uijen**, Executive Director of Supply Chain, ceased to be the Director with effect from 31st Aug'22.

Sustainability

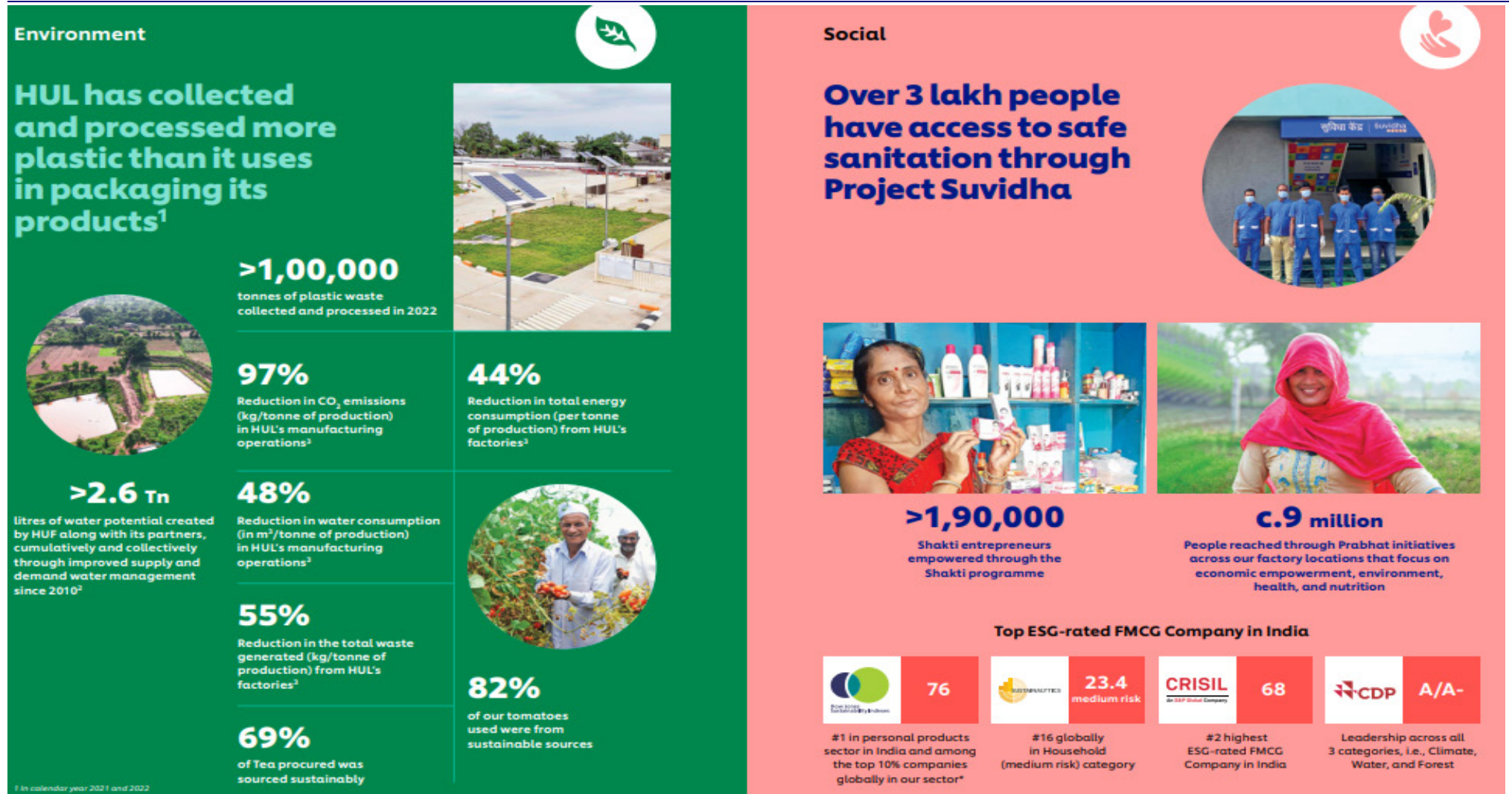
- HUVR's parent Unilever plans to globally invest EUR1b over 10 years in R&D for new technologies to reduce its carbon footprint, plastic waste, and water use; it would increase the number of biodegradable and sustainable ingredients associated with its products.
- HUVR is committed to the global Unilever 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 +2.6t liters; +1.7m tonnes of additional agricultural and biomass production; and over 110m person-days of employment across 14,000 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 globally
 - 5% of Unilever's workforce to be made up of people with disabilities by 2025
 - 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 29: HUVR's delivery on its sustainability plan (%)

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

Source: MOFSL, Company

Exhibit 30: Highlights of various sustainability initiatives taken by HUVR

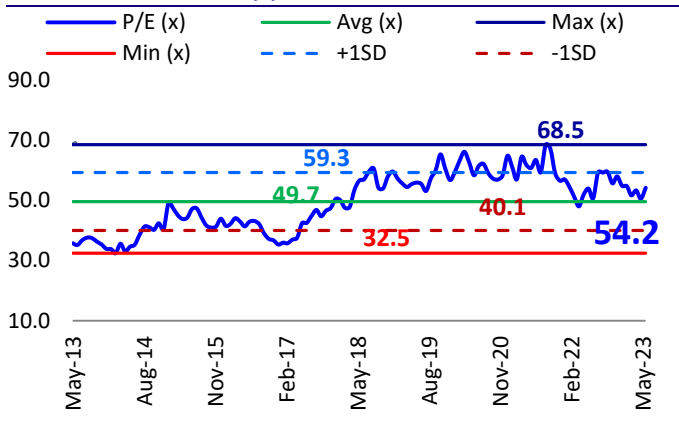


Source: Company

Valuation and view

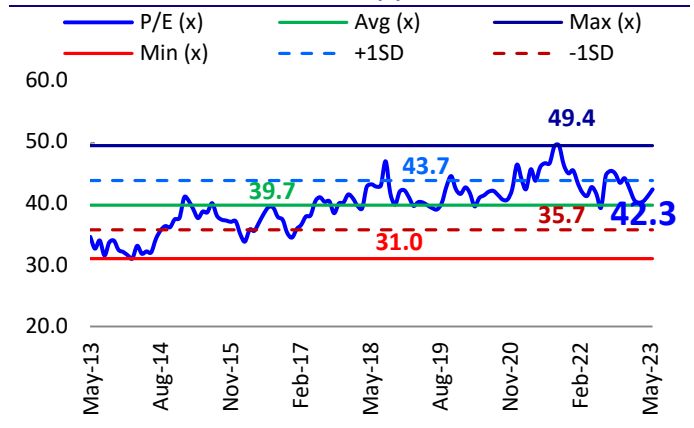
- HUVR remains confident about its ability to achieve Consistent, Competitive, Profitable, and Responsible (4G) growth while maintaining double-digit EPS growth. The recent increase in royalty and central service fees has not affected its commitment to invest in business growth and its ability to deliver growth in revenue and profit.
- 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 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 continuous upward trajectory of earnings.
- We also believe that HUVR is the best prepared among peers in terms of technology and e-commerce strategy to deal with the potentially significant disruptions going forward. HUVR’s performance has been even more impressive over the last 3/5 years, with an EBITDA CAGR of 12.4%/13.4% and a PAT CAGR of 14.1%/13.6%.
- The expectation of a normal monsoon, a gradual recovery in rural areas, and an anticipated reduction in commodity costs will help HUVR regain its mid-to-high teens earnings growth trajectory, in our view.
- We maintain our **BUY** rating on the stock with a TP of INR3,100.

Exhibit 31: HUVR P/E (x)



Source: Bloomberg, Company, MOFSL

Exhibit 32: Consumer sector P/E (x)



Source: Bloomberg, Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Revenue	3,45,250	3,82,240	3,87,850	4,59,960	5,11,930	5,91,440	6,51,248	7,25,923
Change (%)	8.3	10.7	1.5	18.6	11.3	15.5	10.1	11.5
COGS	1,62,320	1,79,600	1,77,930	2,16,770	2,51,240	3,11,440	3,20,189	3,46,222
Gross Profit	1,82,930	2,02,640	2,09,920	2,43,190	2,60,690	2,80,000	3,31,059	3,79,701
Gross Margin (%)	53.0	53.0	54.1	52.9	50.9	47.3	50.8	52.3
Operating Exp	1,10,170	1,16,270	1,13,920	1,29,950	1,35,660	1,43,680	1,76,428	2,02,492
EBITDA	72,760	86,370	96,000	1,13,240	1,25,030	1,36,320	1,54,631	1,77,208
Change (%)	20.3	18.7	11.1	18.0	10.4	9.0	13.4	14.6
Margin (%)	21.1	22.6	24.8	24.6	24.4	23.0	23.7	24.4
Depreciation	4,780	5,820	9,380	10,690	10,250	10,300	10,738	11,423
Int. and Fin. Charges	200	280	1,060	1,080	980	1,010	1,132	1,188
Other Income - Recurring	5,690	6,640	7,330	5,130	3,930	6,400	6,544	7,083
Profit before Taxes	73,470	86,910	92,890	1,06,600	1,17,730	1,31,410	1,49,305	1,71,680
Change (%)	19.4	18.3	6.9	14.8	10.4	11.6	13.6	15.0
Margin (%)	21.7	23.1	24.3	23.5	23.4	22.6	23.3	24.0
Tax	21,480	27,480	23,940	24,580	27,780	29,220	36,580	43,212
Tax Rate (%)	27.9	30.7	27.4	23.8	24.8	23.7	24.5	25.2
Profit after Taxes	52,990	60,220	67,430	81,240	88,520	1,00,240	1,12,726	1,28,468
Change (%)	24.7	13.6	12.0	20.5	9.0	13.2	12.5	14.0
Margin (%)	15.6	16.0	17.6	17.9	17.6	17.2	17.6	18.0
Reported PAT	52,370	59,780	67,380	78,970	88,180	99,620	1,12,726	1,28,468

Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	2,164	2,165	2,160	2,350	2,350	2,350	2,350	2,350
Reserves	68,590	74,430	78,150	4,71,990	4,85,250	4,99,860	4,85,686	4,68,454
Net Worth	70,754	76,595	80,310	4,74,340	4,87,600	5,02,210	4,88,036	4,70,804
Capital Employed	70,754	76,595	80,310	4,74,340	4,87,600	5,02,210	4,88,036	4,70,804
Gross Block	71,787	59,240	73,400	5,41,570	5,47,640	5,58,290	5,65,290	5,70,291
Less: Accum. Depn.	-30,367	-15,810	-22,840	-31,300	-37,300	-44,240	-54,978	-66,402
Net Fixed Assets incl Goodwill	41,420	43,430	50,560	5,10,270	5,10,340	5,14,050	5,10,312	5,03,889
Capital WIP	4,300	3,730	5,130	6,230	9,010	10,200	10,200	10,200
Investment in Subsidiaries	2,540	2,540	2,500	3,100	6,100	9,810	9,810	9,810
Current Investments	28,570	26,950	12,500	26,850	35,120	28,130	29,130	30,130
Deferred Charges	2,550	3,390	2,610	-59,860	-61,410	-63,250	-63,250	-63,250
Curr. Assets, L&A	92,110	98,615	1,22,720	1,34,710	1,36,800	1,56,060	1,78,409	1,81,600
Inventory	23,590	24,220	26,360	33,830	38,900	40,310	49,296	55,001
Account Receivables	11,470	16,730	10,460	16,480	19,320	27,350	24,581	27,425
Cash and Bank Balance	33,730	36,880	50,170	43,210	36,180	44,220	56,246	46,388
Others	23,320	20,785	35,730	41,190	42,400	44,180	48,286	52,787
Curr. Liab. and Prov.	1,00,736	1,02,060	1,15,710	1,46,960	1,48,360	1,52,790	1,86,575	2,01,575
Account Payables	70,130	70,700	73,990	86,270	88,640	93,910	1,24,608	1,36,417
Other Liabilities	16,376	15,860	25,560	40,270	40,850	41,740	43,827	46,018
Provisions	14,230	15,500	16,160	20,420	18,870	17,140	18,140	19,140
Net Current Assets	-8,626	-3,445	7,010	-12,250	-11,560	3,270	-8,166	-19,975
Application of Funds	70,754	76,595	80,310	4,74,340	4,87,600	5,02,210	4,88,036	4,70,804

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	24.5	27.8	31.2	34.6	37.7	42.7	48.0	54.7
Cash EPS	26.7	30.5	35.6	39.1	42.0	47.0	52.5	59.5
BV/Share	32.7	35.4	37.2	201.8	207.5	213.7	207.7	200.3
DPS	20.0	22.0	25.0	40.5	34.0	39.0	54.0	62.0
Payout %	99	96	96	117	90	91	113	113
Valuation (x)								
P/E	107.9	95.0	84.6	76.4	70.1	61.9	55.1	48.3
Cash P/E	99.0	86.6	74.3	67.5	62.9	56.2	50.3	44.4
EV/Sales	16.7	15.1	14.8	13.6	12.2	10.6	9.6	8.6
EV/EBITDA	78.1	65.8	58.9	54.4	49.3	45.1	39.7	34.7
P/BV	80.8	74.7	71.1	13.1	12.7	12.4	12.7	13.2
Dividend Yield (%)	0.8	0.8	0.9	1.5	1.3	1.5	2.0	2.3
Return Ratios (%)								
RoE incl. Goodwill	78.1	81.7	86.0	29.3	18.4	20.3	22.8	26.8
RoCE incl. Goodwill	108.6	118.3	119.8	38.8	24.7	26.8	30.4	36.1
Working Capital Ratios								
Debtor (Days)	12	16	10	13	14	17	14	14
Asset Turnover (x)	4.8	4.9	4.8	1.0	1.0	1.2	1.3	1.5
Leverage Ratio								
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(loss) before Tax	72,850	85,220	90,920	1,04,900	1,17,390	1,30,790	1,49,305	1,71,680
Financial other income	-2,800	-770	-1,630	630	-1,970	-2,430	-6,544	-7,083
Depreciation	4,780	5,240	9,380	10,690	10,400	10,450	10,738	11,423
Net Interest Paid	-2,460	-2,950	-3,940	-2,420	-1,090	-3,240	1,132	1,188
Direct Taxes Paid	-21,880	-26,850	-24,650	-23,670	-27,200	-30,680	-36,580	-43,212
(Incr)/Decr in WC	8,640	-2,610	2,970	-560	-7,890	-8,630	23,462	1,951
CF from Operations	59,130	57,280	73,050	89,570	89,640	96,260	1,41,513	1,35,947
					0.64	6.63%		
Other Items	4,880	4,460	-8,470	11,910	-1,460	14,050	6,545	7,084
(Incr)/Decr in FA	-8,270	-7,240	-7,020	-39,540	-7,440	-8,610	-7,000	-5,000
Free Cash Flow	50,860	50,040	66,030	50,030	82,200	87,650	1,34,513	1,30,946
(Pur)/Sale of Investments	7,790	3,270	22,490	23,900	-7,930	-4,000	-1,000	-1,000
CF from Invest.	4,400	490	7,000	-3,730	-16,830	1,440	-1,455	1,083
Dividend Paid	-38,960	-45,460	-62,440	-88,110	-75,190	-84,590	-1,26,900	-1,45,700
Others	-7,550	-9,160	-4,320	-4,690	-4,650	-5,070	-1,132	-1,188
CF from Fin. Activity	-46,510	-54,620	-66,760	-92,800	-79,840	-89,660	-1,28,032	-1,46,888
Incr/Decr of Cash	17,020	3,150	13,290	-6,960	-7,030	8,040	12,026	-9,858
Add: Opening Balance	16,710	33,730	36,880	50,170	43,210	36,180	44,220	56,246
Closing Balance	33,730	36,880	50,170	43,210	36,180	44,220	56,246	46,388

E: MOFSL Estimates

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