

December 8, 2022

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,798		2,798	
Sales (Rs. m)	6,66,937	7,34,333	6,66,937	7,34,333
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,72,980	1,91,559	1,72,980	1,91,559
% Chng.	-	-	-	-
EPS (Rs.)	53.8	60.2	53.8	60.2
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	520	594	667	734
EBITDA (Rs. bn)	134	138	173	192
Margin (%)	25.7	23.2	25.9	26.1
PAT (Rs. bn)	97	99	126	141
EPS (Rs.)	41.3	42.2	53.8	60.2
Gr. (%)	9.5	2.2	27.5	11.9
DPS (Rs.)	32.0	36.0	42.0	48.0
Yield (%)	1.2	1.3	1.6	1.8
RoE (%)	20.2	20.0	24.5	25.9
RoCE (%)	25.6	25.7	31.2	32.9
EV/Sales (x)	12.1	10.6	9.3	8.4
EV/EBITDA (x)	47.1	45.4	36.0	32.4
PE (x)	65.5	64.1	50.3	44.9
P/BV (x)	13.0	12.6	12.0	11.4

Key Data

HLL.BO | HUVR IN

52-W High / Low	Rs.2,734 / Rs.1,902
Sensex / Nifty	62,571 / 18,609
Market Cap	Rs.6,347bn / \$ 76,998m
Shares Outstanding	2,350m
3M Avg. Daily Value	Rs.4203.14m

Shareholding Pattern (%)

Promoter's	61.90
Foreign	14.05
Domestic Institution	11.75
Public & Others	12.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.7	23.0	15.4
Relative	4.3	7.9	8.2

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Hindustan Unilever (HUVR IN)

Rating: ACCUMULATE | CMP: Rs2,705 | TP: Rs2,798

Undertakes twin acquisition in Health & Wellbeing

HUL has announced twin acquisition of OZiva & Wellbeing Nutrition which are present in the premium segment of Health & Wellness with presence in Vitamin, Minerals and Supplements space with potential market size of Rs300bn over the next 5 years. This move is in line with HUL's attempt to increase presence in Wellness segment post acquisition of Horlicks. We believe HUL will use its vast distribution network, technology & expertise of Unilever and its strong presence in MT/E-comm to grow the business further.

HUL is currently present at the mass end in supplement and wellness space through Horlicks (GSK acquisition), these acquisitions will help grow presence in the premium segment (8x realization in OZiva vs base variant of Horlicks). Although these businesses won't turn the needle for company with size & scale of HUL, However, the move shows HUL's intent to grow into emerging growth segments in Health, Wellness and Nutrition. We estimate 16.6% PAT CAGR over FY22-25 and arrive at DCF based target price of Rs2798 (unchanged). Maintain Accumulate.

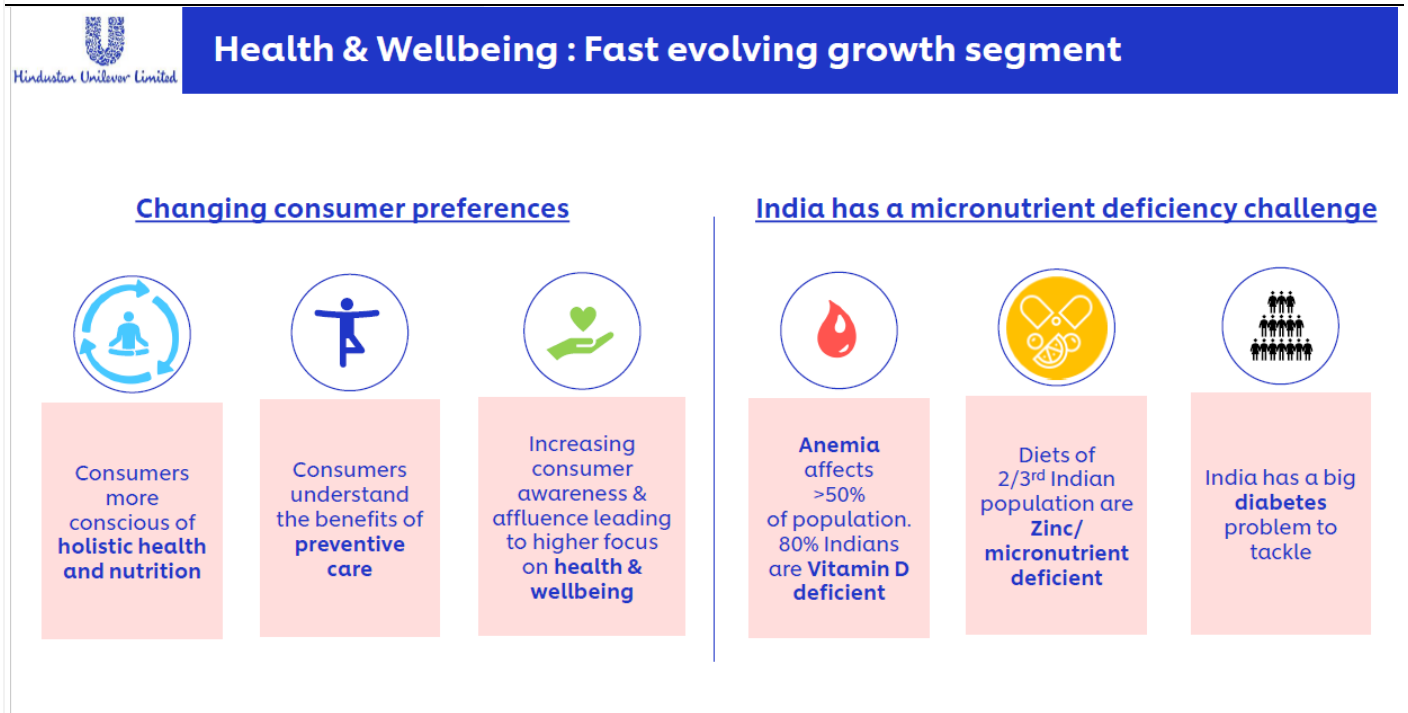
Transaction Details

- **Zywie Ventures Pvt Ltd (OZiva)** is involved in manufacture, buying, selling, trading and dealing in a) Protein products b) Vitamins, Minerals and Supplements and c) Beauty & Personal Care.
 - Revenues (FY20/21/22) – Rs 0.21bn/0.72bn/1.24bn.
 - HUVR to acquire 51% stake Rs2.64bn (Rs5.18bn valuation) with the balance 49% to be acquired after 3 years at pre-agreed valuation criteria.
 - Acquisition to close on or before 2nd Jan'23
- **Nutritionalab Pvt Ltd (Wellbeing Nutrition)** is involved in manufacture, buying, selling, trading and dealing in a) Protein products and b) Vitamins, Minerals and Supplements
 - Revenues (FY20/21/22) – Rs 21.4mn/53.3mn/194mn.
 - HUVR to acquire 19.8% stake Rs0.7bn (Rs3.54bn valuation).
 - Acquisition to close on or before 23rd Jan'23.

Conference Call Takeaways

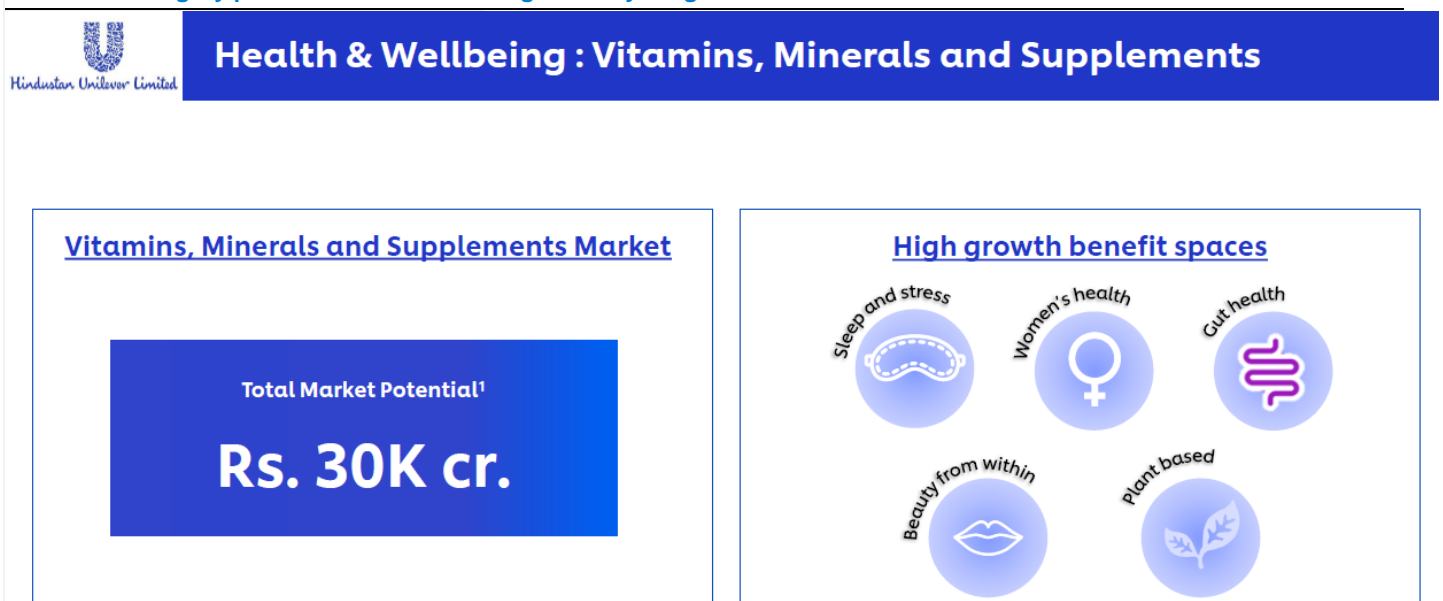
- Move to acquire stake is in line with HUL's strategy to enter into high growth categories.
- Unilever has a EUR 1bn portfolio for Health, Wellness and Nutrition which may be brought to India at a later point in time.
- Products will sit under the overall BPC portfolio of HUL with a dedicated team to scale up the business.
- Subcategories like sleep and stress, women's health, gut health, beauty from within and plant based offer higher growth vs overall category.
- Products are gross margin accretive to overall portfolio at 55%.

Exhibit 1: Category to address multiple consumer needs



Source: Company, PL

Exhibit 2: Category potential & size offers huge runway for growth



Source: Company, PL

Exhibit 3: OZiva offers differentiated offering to Wellbeing Nutrition

OZiva : Science-backed, Clean label, Plant based

- ❑ Science-backed, fortified with ayurveda, and clinically proven ingredients
- ❑ Digital first brand with Omni channel approach
- ❑ Future-proof need states such as Plant based Nutrition, Skin & Hair Health and Women's Health
- ❑ 12 member R&D team
- ❑ Launched in 2016, Annual Revenue Runrate of INR 100+ Cr

3+ million	c. 60%	c.240K
Consumers	Revenue retention	Instagram followers

Source: Company, PL

Exhibit 4: Wellbeing Nutrition offers products in unique & disruptive formats

Wellbeing Nutrition : Science-backed, benefit led clean products

- ❑ Disruptive product formats such as Melts, Slow- release capsules
- ❑ Digital first brand, expanding offline presence
- ❑ Future-proof need states like Sleep, Beauty and Gut Health
- ❑ Founded in 2019, Annual Revenue Runrate of INR 50+ Cr

c. 2 million	c. 60%	80K
Consumers	Revenue retention	Instagram followers

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	5,20,500	5,93,579	6,66,937	7,34,333
YoY gr. (%)	11.5	14.0	12.4	10.1
Cost of Goods Sold	2,51,240	3,09,528	3,19,600	3,48,265
Gross Profit	2,69,260	2,84,051	3,47,337	3,86,069
Margin (%)	51.7	47.9	52.1	52.6
Employee Cost	23,990	26,312	29,602	32,619
Other Expenses	-	-	-	-
EBITDA	1,33,600	1,37,949	1,72,980	1,91,559
YoY gr. (%)	11.2	3.3	25.4	10.7
Margin (%)	25.7	23.2	25.9	26.1
Depreciation and Amortization	10,250	10,919	11,519	12,301
EBIT	1,23,350	1,27,030	1,61,461	1,79,259
Margin (%)	23.7	21.4	24.2	24.4
Net Interest	980	1,030	1,055	1,108
Other Income	3,930	5,374	7,131	9,245
Profit Before Tax	1,26,300	1,31,374	1,67,538	1,87,396
Margin (%)	24.3	22.1	25.1	25.5
Total Tax	29,210	32,187	41,047	45,912
Effective tax rate (%)	23.1	24.5	24.5	24.5
Profit after tax	97,090	99,187	1,26,491	1,41,484
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	97,090	99,187	1,26,491	1,41,484
YoY gr. (%)	9.5	2.2	27.5	11.9
Margin (%)	18.7	16.7	19.0	19.3
Extra Ord. Income / (Exp)	(340)	500	500	500
Reported PAT	96,750	99,687	1,26,991	1,41,984
YoY gr. (%)	12.0	3.0	27.4	11.8
Margin (%)	18.6	16.8	19.0	19.3
Other Comprehensive Income	1,150	(200)	(200)	(200)
Total Comprehensive Income	97,900	99,487	1,26,791	1,41,784
Equity Shares O/s (m)	2,350	2,350	2,350	2,350
EPS (Rs)	41.3	42.2	53.8	60.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	3,74,830	3,95,415	4,06,674	4,19,098
Tangibles	94,730	1,15,315	1,26,574	1,38,998
Intangibles	2,80,100	2,80,100	2,80,100	2,80,100
Acc: Dep / Amortization	37,650	46,569	56,087	66,388
Tangibles	36,600	45,269	54,537	64,588
Intangibles	1,050	1,300	1,550	1,800
Net fixed assets	3,37,180	3,48,847	3,50,587	3,52,710
Tangibles	58,130	70,047	72,037	74,410
Intangibles	2,79,050	2,78,800	2,78,550	2,78,300
Capital Work In Progress	9,010	9,461	9,934	10,430
Goodwill	1,73,160	1,73,160	1,73,160	1,73,160
Non-Current Investments	18,730	19,050	19,385	19,737
Net Deferred tax assets	(61,410)	(62,724)	(64,399)	(66,273)
Other Non-Current Assets	12,820	14,524	16,185	17,821
Current Assets				
Investments	35,100	52,650	52,650	60,548
Inventories	38,900	44,855	48,661	52,627
Trade receivables	19,320	21,626	23,880	25,817
Cash & Bank Balance	36,180	41,963	69,843	99,203
Other Current Assets	5,800	6,529	7,336	8,078
Total Assets	6,97,370	7,46,446	7,86,224	8,36,206
Equity				
Equity Share Capital	2,350	2,350	2,350	2,350
Other Equity	4,85,250	5,00,250	5,28,402	5,57,444
Total Network	4,87,600	5,02,600	5,30,752	5,59,794
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	15,530	18,468	19,461	21,082
Other non current liabilities	3,010	3,236	3,478	3,739
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	88,640	1,14,483	1,19,959	1,33,581
Other current liabilities	20,800	23,735	25,176	26,518
Total Equity & Liabilities	6,97,370	7,46,446	7,86,224	8,36,206

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	1,26,300	1,31,374	1,67,538	1,87,396
Add. Depreciation	10,250	10,919	11,519	12,301
Add. Interest	-	-	-	-
Less Financial Other Income	-	-	-	-
Add. Other	620	4,468	3,290	4,342
Op. profit before WC changes	1,37,170	1,46,760	1,82,346	2,04,038
Net Changes-WC	(8,330)	11,365	(23,689)	(13,134)
Direct tax	(29,210)	(32,187)	(41,047)	(45,912)
Net cash from Op. activities	99,630	1,25,938	1,17,611	1,44,992
Capital expenditures	(16,100)	(23,036)	(13,732)	(14,920)
Interest / Dividend Income	-	-	-	-
Others	(4,340)	(12,176)	7,131	1,348
Net Cash from Invt. activities	(20,440)	(35,212)	(6,601)	(13,573)
Issue of share cap. / premium	(7,150)	(297)	(349)	(342)
Debt changes	(440)	(493)	121	347
Dividend paid	(75,190)	(84,590)	(98,690)	(1,12,800)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(82,780)	(85,379)	(98,918)	(1,12,795)
Net change in cash	(3,590)	5,347	12,092	18,625
Free Cash Flow	83,530	1,02,903	1,03,879	1,30,072

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	41.3	42.2	53.8	60.2
CEPS	45.7	46.9	58.7	65.4
BVPS	207.5	213.9	225.9	238.2
FCF	35.5	43.8	44.2	55.3
DPS	32.0	36.0	42.0	48.0
Return Ratio(%)				
RoCE	25.6	25.7	31.2	32.9
ROIC	23.1	23.9	30.9	35.1
RoE	20.2	20.0	24.5	25.9
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	(21)	(30)	(26)	(27)
Valuation(x)				
PER	65.5	64.1	50.3	44.9
P/B	13.0	12.6	12.0	11.4
P/CEPS	59.2	57.7	46.1	41.3
EV/EBITDA	47.1	45.4	36.0	32.4
EV/Sales	12.1	10.6	9.3	8.4
Dividend Yield (%)	1.2	1.3	1.6	1.8

Source: Company Data, PL Research

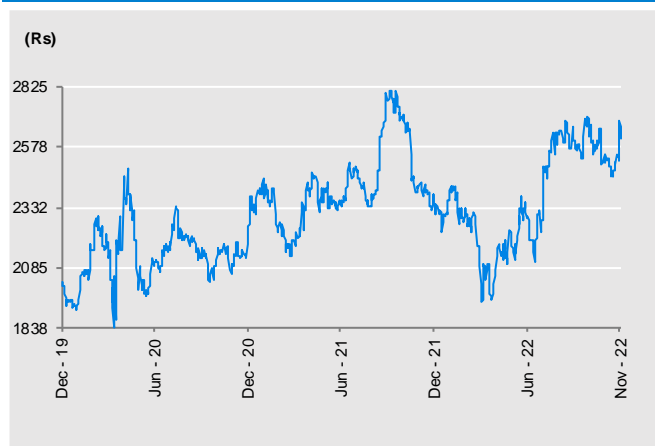
Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	1,30,920	1,34,620	1,42,720	1,47,510
YoY gr. (%)	10.4	11.0	19.8	15.9
Raw Material Expenses	62,690	67,920	75,140	79,940
Gross Profit	68,230	66,700	67,580	67,570
Margin (%)	52.1	49.5	47.4	45.8
EBITDA	32,790	32,450	32,470	33,770
YoY gr. (%)	14.9	9.7	14.0	7.8
Margin (%)	25.0	24.1	22.8	22.9
Depreciation / Depletion	2,550	2,610	2,600	2,480
EBIT	30,240	29,840	29,870	31,290
Margin (%)	23.1	22.2	20.9	21.2
Net Interest	250	360	260	250
Other Income	910	1,220	1,370	1,150
Profit before Tax	30,900	30,700	30,980	32,190
Margin (%)	23.6	22.8	21.7	21.8
Total Tax	7,980	8,010	8,090	8,400
Effective tax rate (%)	25.8	26.1	26.1	26.1
Profit after Tax	22,920	22,690	22,890	23,790
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	22,920	22,690	22,890	23,790
YoY gr. (%)	17.5	7.9	16.7	8.8
Margin (%)	17.5	16.9	16.0	16.1
Extra Ord. Income / (Exp)	(490)	580	-	2,370
Reported PAT	22,430	23,270	22,890	26,160
YoY gr. (%)	17.5	8.6	22.9	19.6
Margin (%)	17.1	17.3	16.0	17.7
Other Comprehensive Income	220	570	350	(530)
Total Comprehensive Income	22,650	23,840	23,240	25,630
Avg. Shares O/s (m)	2,350	2,350	2,350	2,350
EPS (Rs)	9.8	9.7	9.7	10.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Nov-22	Accumulate	2,798	2,484
2	21-Oct-22	Accumulate	2,798	2,654
3	04-Oct-22	Accumulate	2,827	2,623
4	19-Jul-22	Accumulate	2,699	2,568
5	07-Jul-22	UR	-	2,473
6	27-Apr-22	BUY	2,384	2,145
7	08-Apr-22	BUY	2,356	2,183
8	21-Mar-22	BUY	2,356	2,051
9	20-Jan-22	BUY	2,900	2,262
10	06-Jan-22	Accumulate	2,930	2,416

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,326	3,141
2	Avenue Supermarts	BUY	5,121	4,306
3	Britannia Industries	Hold	4,142	3,804
4	Colgate Palmolive	Accumulate	1,639	1,605
5	Dabur India	Accumulate	615	549
6	Emami	Accumulate	555	465
7	Hindustan Unilever	Accumulate	2,798	2,484
8	ITC	Accumulate	365	350
9	Jubilant FoodWorks	BUY	685	613
10	Kansai Nerolac Paints	Accumulate	563	465
11	Marico	Hold	543	539
12	Mold-tek Packaging	Hold	947	939
13	Nestle India	Accumulate	20,111	19,388
14	Pidilite Industries	Hold	2,737	2,656
15	Restaurant Brands Asia	Accumulate	156	126
16	Titan Company	Accumulate	2,875	2,770
17	Westlife Foodworld	BUY	847	719

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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