

Bloomberg Code	HUL IN
No of share O/S (in crs)	234.95
Market Cap (in Rs. Crs)	5,83,215
Face Value (in Rs.)	1.00
Dividend Yield (%)	1.30
52 Wk High/Low (Rs.)	2,859/2,043

Volumes disappointed while pricing growth surprised

Hindustan Unilever Ltd reported revenue from operations of INR 12,724 cr in Q2FY22, registering a YoY growth of 11.2%. In terms of segmental breakup, revenues for Home care/Beauty & Personal care/Food & refreshment/Others grew by 15.7/10.3/7.2/25.7% YoY. Volume growth came in at 4% YoY below street expectations of 5-7%. However, on a 2-year CAGR basis, volume delivery accelerated in 2QFY22 compared to 1QFY22. Pricing growth was much faster at 7% YoY.

Shareholding (%)

Promoters	61.90
Institutional	25.90
Public	12.20
Total	100.00

EBITDA for the quarter came in at INR 3,132 cr registering a QoQ/YoY change of 10.0%/9.2%, respectively. EBITDA Margin fell by 50 bps on a YoY basis and improved by 70 bps on a QoQ basis. Inflationary pressure is expected to persist going forward across major commodities in the very near term. HUL now expects further judicious pricing action along with cost agility, savings programs, mix improvement and synergy from the nutrition portfolio integration of GSK consumer, which would help it to mitigate this pressure.

In terms of segmental results, Home care/Beauty & Personal care/Food & refreshment/Others margins grew by 7.4/4.7/18.8/54.5% YoY.

PBT grew by only 7.7% YoY due to a 25.2% fall in other income. Net earnings grew by 4.6% YoY at INR 2,187.0 cr.

Concall Highlights

- Digitized demand captured through Shikhar app, E-Com & D2C now forms >15% of the business vs >10% stated in Q1FY22. Shikhar app now covers 6,50,000 stores. Double-digit volume growth was seen in nutrition. Value-growth was likely lower vs volumes given that a lot of the growth was from low-unit packs (INR 2/- sachets to drive category penetration).
- Tough competition along with decline in hand-hygiene from a very high base affected skin cleansing portfolio in the beauty and personal category while non-soaps did well.
- Discretionary portfolio grew at 31% YoY due to lower base last year.
- Health, Hygiene & Nutrition and Out-of-Home (ice-creams, water-purifiers) sales are now above pre-pandemic levels.
- Laundry had high double-digit growth on a lower base last year.
- General trade continued its resilient performance while modern trade saw a strong comeback.
- ***Valuation***

At the CMP of Rs. 2,504, Hindustan Unilever Ltd is trading at FY21 P/E of 74x.

Revenue for the year stood at Rs. 12,724 cr, up by 11.2% on a YoY basis majorly due to 7% pricing growth & 4% volume growth.

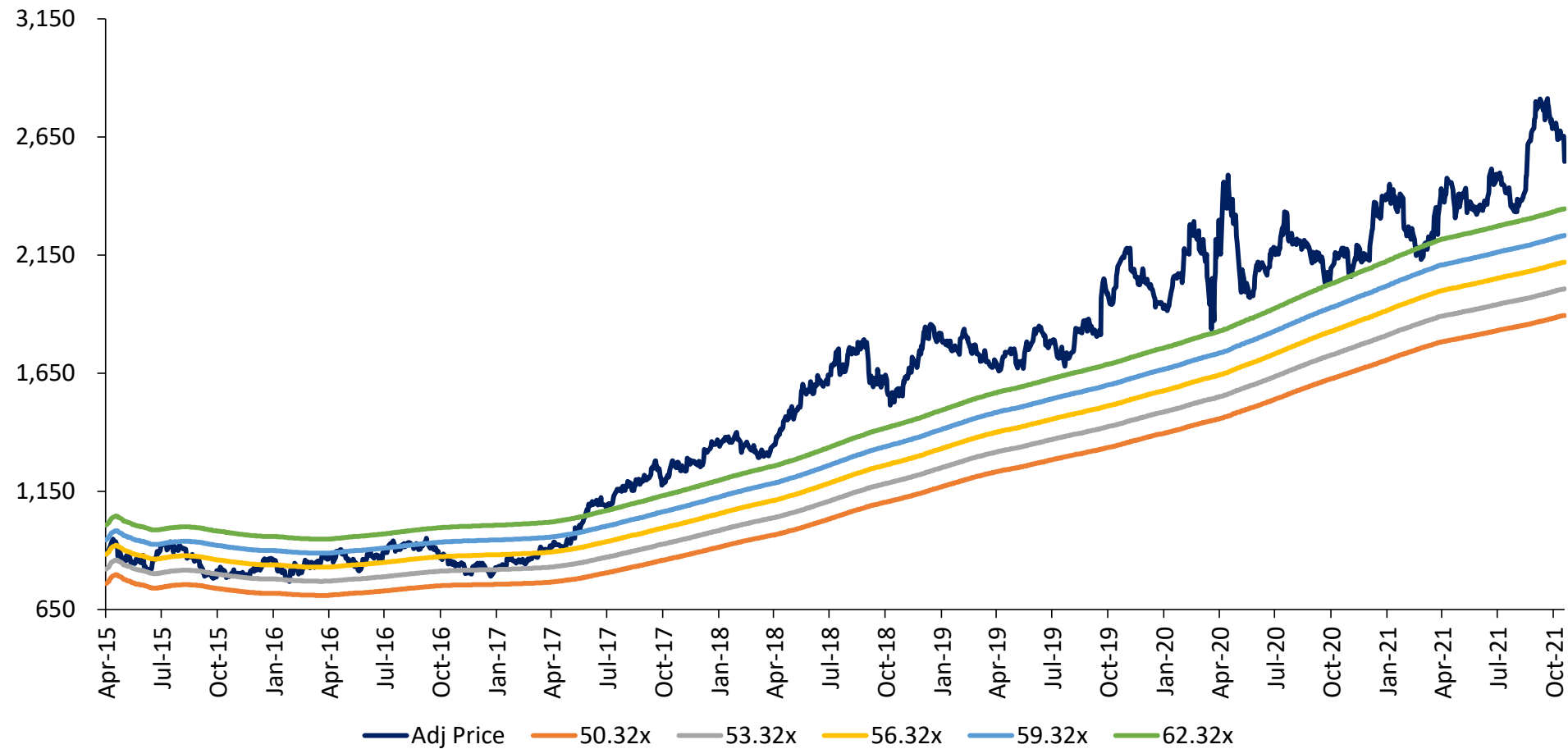
EBITDA registered an increase of 9.2% to Rs. 3,132 cr but EBITDA margin fell by 50 bps to 24.6% due to high raw material costs.

Net profit for the quarter came in at Rs. 2,187 cr, a YoY growth of 4.6% and net margin came in at 17.2% down by 90 bps on account of fall in other income and higher tax rate.

Figures are in Rs Cr	Q2FY22	Q2FY21	YoY (%)	Q1FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenue from operations	12,724	11,442	11.2	11,915	6.8	45,996	38,785	18.6
Raw Material Cost	6,158	5,375	14.6	5,905	4.3	21,677	17,793	21.8
RM Cost to Sales (%)	48.4	47.0		49.6		47.1	45.9	
Employee Cost	582	559	4.1	618	-5.8	2,229	1,691	31.8
Employee Cost to Sales (%)	4.6	4.9		5.2		4.8	4.4	
Other Expenses	2,852	2,639	8.1	2,545	12.1	10,766	9,701	11.0
Advertising and Promotion	1,215	1,139	6.7	1,024	18.7	4,737	4,686	1.1
Others	1,637	1,500	9.1	1,521	7.6	6,029	5,015	20.2
Other expenses to Sales (%)	22.4	23.1		21.4		23.4	25.0	
EBITDA	3,132	2,869	9.2	2,847	10.0	11,324	9,600	18.0
EBITDA Margin (%)	24.6	25.1		23.9		24.6	24.8	
Depreciation	265	249	6.4	244	8.6	1,012	938	7.9
Interest	26	29	-10.3	11	136.4	108	106	1.9
Other Income	113	151	-25.2	67	68.7	513	733	-30.0
Other Income to Sales (%)	0.9	1.3		0.6		1.1	1.9	
Profit Before Tax	2,954	2,742	7.7	2,659	11.1	10,717	9,289	15.4
Exceptional items	0	0		-26		-227	-197	15.2
Tax	767	652	17.6	572	34.1	2,536	2,354	7.7
Tax Rate (%)	26.0	23.8		21.5		23.7	25.3	
Profit After Tax	2,187	2,090	4.6	2,061	6.1	7,954	6,738	18.0
PAT Margin (%)	17.2	18.3		17.3		17.3	17.4	
Adjusted EPS (Rs.)	9.3	8.6	8.9	8.8	6.2	33.9	31.1	8.7
Net Worth	47,696	46,644	2.3			47,434	8,031	490.6
Adjusted BVPS (Rs.)	203.0	198.5	2.3			201.8	37.2	442.9
Net Debt	-4,254	-3,739				-4,321	-5,017	
Net Debt to Equity (x)	-0.1	-0.1				-0.1	-0.6	
Net Debt to EBITDA (x)	-0.0	-0.0				-0.4	-0.5	
RoE (%)	18.3	17.9				16.8	83.9	
P/E (x)	67.2	73.2				74.0	80.4	
P/B (x)	12.3	12.6				12.4	67.3	

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Segment Revenue										
Home care	3,464	3,456	3,456	3,350	3,392	3,318	3,409	3,838	3,797	3,838
% of sales	33%	34%	34%	36%	32%	29%	28%	31%	32%	30%
Beauty & personal care	4626	4580	4448	3834	4043	4535	4868	4577	4573	5000
% of sales	45%	45%	44%	42%	38%	40%	40%	37%	38%	39%
Food & refreshment	1950	1847	1865	1788	2958	3379	3356	3511	3319	3622
% of sales	19%	18%	18%	19%	28%	30%	28%	28%	28%	28%
Others	324	308	334	239	338	210	548	507	226	264
% of sales	3%	3%	3%	3%	3%	2%	4%	4%	2%	2%
Total Segment Revenue	10364	10105	10103	9211	10,731	11,442	12,181	12,433	11,915	12,724
Segment Results										
Home care	699	595	629	636	637	678	646	812	662	728
Beauty & Personal care	1364	1315	1263	954	1124	1328	1423	1259	1287	1390
Food & refreshment	379	294	334	225	582	559	473	575	600	664
Others	53	50	55	14	95	55	135	131	54	85
Total Segment Results	2495	2254	2281	1829	2438	2620	2677	2777	2603	2867
Add/(Less): Exceptional Items	7	-48	-100	-59	-119	-81	-51	14	-26	0
Less: Finance Costs	-27	-34	-27	-30	-31	-29	-44	-11	-11	-26
Add/(Less): Others	145	118	105	264	154	151	54	109	67	113
Total Profit Before Tax	2620	2290	2259	2004	2442	2661	2636	2889	2633	2954

P/E band chart



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