

### Business Overview

HUL, the largest FMCG player in India, was formed by merging three subsidiaries of Unilever in 1956. HUL's portfolio of products covers a wide spectrum including soaps, detergents, skin creams, shampoos, toothpastes, tea, coffee, packaged foods and branded atta. Powerful brands and an enviable distribution network are its primary strengths. The company operates through segments—home care, personal care, foods & refreshments, and other operations.

### Key highlights

- HUL is a play on consumption growth in India. The company has proved its ability to effect price hikes and ability to grow ahead of market.
- Non-structural factors like FII selling and anticipation of rural slow down led to sharp stock price correction in HUL.
- Company's ability to take strategically selective price hikes is unmatched.
- HUL has taken three more rounds of price hikes in Q4FY22 (though not in same product/SKUs); we expect more hikes in Q1FY23, in line with price hike taken in Q3FY22.
- It is noteworthy that HUL takes price hikes in a staggered manner, based on its view on RM prices, competition, and portfolio approach.
- In Q3FY22, HUL had price/mix growth of 8% YoY, and EBITDA margins, at a five-quarter high, expanded 99bp YoY.
- In CY22 so far, the spike in global food prices has been around +25%, amid the Russia-Ukraine conflict, which will eventually filter into domestic prices, giving farm incomes a boost.
- HUL already seeing decade-high market share gains, which is likely to continue in FY23, given that smaller players will be on the side-lines in inflationary scenario.
- It enjoys high pricing power due to expansion in market share: HUL's market share across its portfolio is above 2019 levels.
- Further as offices/travel have resumed across sectors and cities in India, OOH and B2B consumption would improve, which are margin accretive.

### Risks

- INR depreciation impacts price of imported raw materials.
- Ad spends likely to spike, due to increased
- Challenge in expanding market share given rising competition

### QUICK DATA

Face Value (Rs.)	1.0
Div. Yield (%)	1.48
No of shares (cr)	235
52-week High/Low (Rs.)	2859/1902
NSE Symbol	HINDUNILVR
BSE Code	500696
Bloomberg Code	HUVR
Market cap (Rs. bn)	4934

### SHAREHOLDING PATTERN (%)

Promoters	61.90
FIs	14.71
MFs & DIs	10.85
Others	12.53

### EDELWEISS CLASSIFICATION

Market Cap	Large Cap
Relative Risk	High
Relative Reco	Outperform
Sector Rating	Equal weight

## Edelweiss Ratios

Company	HUL
1 Wk Price performance (%)	-0.17
3 M Price performance (%)	-5.99
PE (x)	56
EV/EBITDA (x)	41.18
Return on Capital Employed (%)	34.33

## Financial Snapshot

Year to March	FY21	FY22E	FY23E	FY24E
Net Revenue (INR cr.)	47,028	52,355	57,487	63,294
EBITDA (INR cr.)	11,626	12,898	14,220	16,165
EBITDA Margin (%)	24.7	24.6	24.7	25.5
Adjusted PAT (INR cr.)	8,000	8,872	10,119	11,605
Adjusted diluted EPS (INR)	34	37.8	43.1	49.4
PAT Growth (%)	18.3	10.9	14.1	14.7
ROE (%)	29.5	18.4	20.6	23.1
ROCE (%)	39.2	25.1	27.8	31.2

## Technical View

	S1	S2	R1	R2
HUL	2043	2013	2090	2109

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