

Q4-FY21 Result Update

- ❑ Hindustan Unilever Limited (HINDUNILVR) reported revenue growth from operation of 35.0% YoY at ₹1,24,330 million during Q4FY21 as against ₹92,110 million in Q4FY20. The domestic consumer growth during the quarter was 21.0% with underlying volume growth at 16.0%. The company saw double digit growth in all three segments, however the growth was aided with a low base quarter.
- ❑ The company reported EBITDA of ₹30,430 million in Q4FY21 as against ₹ 21,000 million in Q4FY20. EBITDA Margins for Q4FY21 stood at 24.5%. The profit after tax (PAT) for Q4FY21 came in at ₹ 21,860 million as against ₹15,150 million during Q4FY21 recording a growth of 44.3% YoY.
- ❑ Homecare segment reported revenue of ₹38,380 million in Q4FY21 as compared to ₹ 33,500 million in Q4FY20, a revenue growth of 14.6% YoY. The growth in the home care segment was mainly on account of strong recovery in fabric wash, on the back of improved mobility. Detergent category, which was adversely impacted saw strong recovery in Q4 due to increase in out of home activity. Strong performance in HHC continued delivering strong double-digit growth. Purifiers improved sequentially, led by acceleration in e-commerce.
- ❑ The Beauty & Personal Care (BPC) segment grew by 19.4% YoY to ₹ 45,770 million as mobility increased in most of the cities. Skin Cleansing performance was led by high double-digit growth in Lifebuoy and in premium segments. In order to pass on the inflationary cost of Input, the company has taken certain price hikes in the last 2 Quarters and will be taking a few more price hikes in the coming Quarter. Oral Care continues to sustain growth momentum with strong results in Close Up and continues to gain market Share. The company expects to register a higher Growth as compared to Industry in Hair Care Segment. Skin care performed well with growth in Vaseline, Face Cleansing and Talc.
- ❑ Foods & Refreshments segment sustained the growth momentum for another Quarter recording ₹ 35,110 million in Revenue with a growth rate of 96.4% YoY. The good growth trajectory in F&R Segment is on the back of successful Integration in Nutrition Business coupled with strong consumer Traction for Ketchups and Soups. In the tea category, the company gained high double digit growth across brands. The company is focusing on volume led growth in the nutrition portfolio. It would be looking to drive growth by increasing penetration. The company has launched smaller SKUs at ₹ 2 price point.

- During Q4 FY21, Health, Hygiene & Nutrition reported 22% YoY growth while its discretionary portfolio grew 10% YoY and Out of Home posted 61% YoY growth. The company's focus on driving volume-led competitive growth has yielded good results and company's 87% of the business is gaining penetration and 82% of the business is gaining volume share. The company has launched 150 SKUs in the last one year.
- Going ahead in near terms, it is difficult to estimate the demand but the management has confidence over agility and responsiveness in the value chain and are in a better position to deal with the uncertainty. We increase FY22E/FY23E EPS estimate owing to better sales mix and pick up in demand. However, margin expansion is likely to moderate due to inflationary pressure on RM cost. Therefore, we change our rating from BUY to **HOLD** with a revised target price of **Rs. 2,731** based on 58x FY23E EPS.

Financials:

(In ₹ mn)	Q4-FY21	Q4-FY20	Chg	12M-FY21	12M-FY20	Chg
Net Sales	124,330	92,110	35.0%	470,280	397,830	18.2%
Operating Expense	93,900	71,110	32.0%	354,020	299,220	18.3%
EBITDA	30,430	21,000	44.9%	116,260	98,610	17.9%
Other Income	1,090	2,640	-58.7%	4,100	6,320	-35.1%
Depreciation	2,660	2,710	-1.8%	10,740	10,020	7.2%
EBIT	28,860	20,930	37.9%	109,620	94,910	15.5%
Interest	110	300	-63.3%	1,170	1,180	-0.8%
PBT	28,750	20,630	39.4%	108,450	93,730	15.7%
Tax	6,980	4,840	44.2%	26,060	24,090	8.2%
Exceptional Items	130.0	(670)		(2,400)	(2,080)	15.4%
PAT	21,900	15,120	44.8%	79,990	67,560	18.4%
Minority /Other Adj.	(40)	30		(40)	(80)	
Consolidated PAT	21,860	15,150	44.3%	79,950	67,480	18.5%

Margins	Q4-FY21	Q4-FY20	Chg BPS	12M-FY21	12M-FY20	Chg BPS
Operating Margin %	24.5%	22.8%	168	24.7%	24.8%	-7
Net Margin %	17.6%	16.4%	113	17.0%	17.0%	4



Consolidated Financials

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	397,830	470,290	511,964	559,352
Operating Expense	299,280	354,040	385,413	406,369
EBITDA	98,550	116,250	126,551	152,983
Other Income	6,320	4,100	5,120	5,594
Depreciation	10,020	10,740	10,056	10,987
EBIT	94,850	109,610	121,615	147,589
Interest	1,180	1,170	904	904
Misc. items	(2,000)	(2,390)	-	-
PBT	91,670	106,050	120,711	146,685
Tax	24,110	26,060	29,663	36,045
Minority Interest	(80)	(40)	-	-
PAT	67,480	79,950	91,048	110,640

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	1.2%	18.2%	8.9%	9.3%
Operating Margin %	24.8%	24.7%	24.7%	27.4%
Net Margin %	17.0%	17.0%	17.8%	19.8%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	2,310	2,400	2,400	2,400
Reserves & Surplus	79,980	474,340	565,388	676,028
Total Shareholder's Funds	82,290	476,740	567,788	678,428
Minority Interest	170	210	210	210
Other Long-term Liabilities	25,900	39,720	39,720	39,720
Deferred Tax Liability	(2,840)	59,710	59,710	59,710
Short-term Liabilities	93,170	111,030	116,445	127,223
Total	198,690	687,410	783,873	905,291
Assets				
Net Fixed Assets	60,940	522,050	54,006	51,481
Long-Term L&A	14,670	17,150	17,150	17,150
Non Current Investments	20	20	20	20
Other Non-Current Assets	30	6,180	6,180	6,180
Current Asset	123,030	142,010	706,517	830,461
Total	198,690	687,410	783,873	905,291

Particulars	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	31.2	34.0	38.7	47.1
P/E (x)	79.6	73.1	64.2	52.8
P/B (x)	65.3	12.3	10.3	8.6
ROE	82.0%	16.8%	16.0%	16.3%

Key Risks:

- ❑ The company's business is exposed to palm oil price risks. Any significant rise could lower margins from expectations.
- ❑ The company's business is indirectly exposed to overall economic factors like inflation, interest rates and forex rates. Any significant adverse volatility could lower revenue growth than estimated.



Rating and Target Price history:

HINDUNILVR rating history & price chart



HINDUNILVR rating details

Date	Rating	Target Price (₹)	Share Price (₹)
30-May-19	Buy	2,250	1,784
06-Aug-19	Buy	2,250	1,747
17-Oct-19	Buy	2,422	2,104
07-Feb-20	Buy	2,422	2,161
05-May-20	Buy	2,452	2,039
17-Feb-21	Buy	2,524	2,164
25-Jun-21	Hold	2,731	2,249

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 25 June 2021 close.

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