

Pick of the week



Hindustan Unilever Ltd

Recommendation

Add

Time Period

12 Months

Current Price

₹2270

Target Price

₹2625

Potential Upside

15.6%

Investment Argument

- In Q3FY21, HUVR reported 4% growth in underlying volume, 7% growth in revenues and broadly flat EBITDA (all organic).
- Post recent quarters of cautious commentary, HUL expressed increased confidence in pick-up in overall demand environment.
- HUL maintained the innovation intensity witnessed in recent quarters with multiple new launches in line with increased consumer preference for hygiene, nutrition and at-home consumption.
- We note that in 9MFY21, HUVR has absorbed some RM inflation in tea and soaps and stepped up investments in advertising & promotion (A&P) for market development/share gains in hygiene, personal care and nutrition categories.
- The management indicated that (1) its primary focus in the short term (1-2 quarters) is volume recovery/growth and investments (especially A&P) in business would remain high, and (2) it is confident of delivering modest margin expansion every year in the medium term.
- HUVR has stepped up focus on volume growth and it would continue investments in business notwithstanding margin pressure; we expect this strategy to pay off well.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 27th January 2021, which is available on our website

at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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