Hindustan Unilever Limited

EQUITY RESEARCH REPORT

FINANCE AND INVESTMENT CELL
SHRI RAM COLLEGE OF COMMERCE

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COMPANY OVERVIEW

A subsidiary of Unilever, HUL headquartered in Mumbai was established in November 1956 on the merger of three companies namely Hindustan Vanaspati Manufacturing Company, Lever Brothers India Ltd, United Traders Ltd. and it was formally renamed 'Hindustan Unilever Limited' in June 2007.

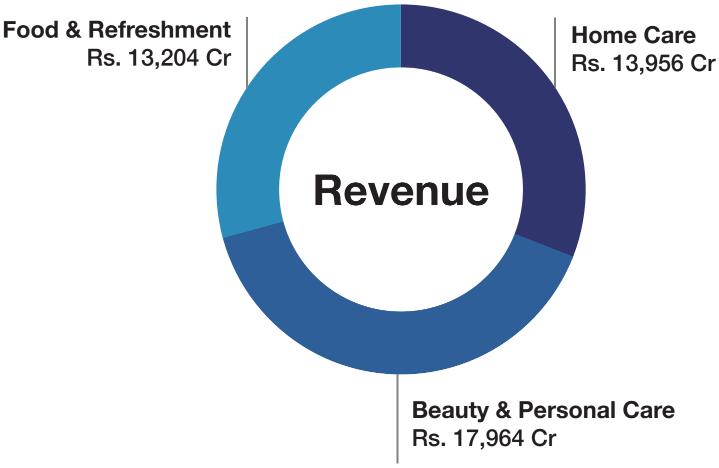
With leadership in Home and Personal Care and Food and Beverages, the company has a vast portfolio of around 44 brands including Lux, Surf Excel, Vaseline, Lakme, Knorr, Kissan, Horlicks, Closeup, Kwality Wall's and it spreads across 14 different categories such as skincare, oral care, essentials, food and beverages.

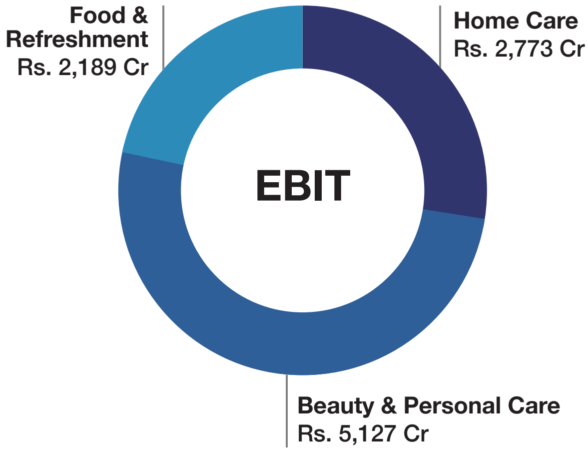
With approximately 21000 employees and sales worth INR 45311 crores (FY 2020-21), it is India's largest fast-moving consumer goods company and is recognised as the most innovative company in India and 8th globally by Forbes. Furthermore, it continues to be the 'Employer of Choice' in the industry for the past 12 years.

With a clear purpose i.e to make sustainable living commonplace, HUL continues to prove that sustainability and successful business performances are interlinked. With spendings of more than 500 crores on its CSR activities and programmes, it has been successful in solving issues like water conservation, health and hygiene, women empowerment, etc. at the grass-root levels.

Exhaustive product range, extensive distribution network along with a presence in rural areas HUL has always focused on continuous innovation and adaptation to the environment changes. All this has ensured it to maintain a continued leadership position in the market.

The three divisions of HUL:





INDUSTRY ANALYSIS

The fast-moving consumer goods (FMCG) industry is broadly divided into three categories; household and personal care, healthcare and food and beverage which account for 50%, 31% and 19% of the total sales respectively. The fourth-largest contributor to the Indian economy, the FMCG sector, according to Nielsen, grew at 9.4% in the January - March quarter 2021, backed by consumption-led growth and value expansion from higher product prices, followed by massive value-based growth of 36.9% in the quarter April-June 2021 despite being hit by the second wave of COVID-19 pandemic.

Most of the FMCG companies collaborated with the e-commerce platforms like Flipkart, Big Basket, Groffers, etc. and captured the growth of digitization. It is likely that e-commerce will contribute by 5% which is about USD 4 Billion to FMCG sales by 2022. Additionally, the sector is the largest workforce absorber in the country with more than 7.3 million workforces. As per Crisil, the revenue growth of the sector will double from 5-6% in the last fiscal year to 10-11% by the end of this fiscal year which accounts for the highest growth in the last 3 years. The key factor driving such growth is the price hike of 4-5% across different product categories to pass on the inflation in raw materials accompanied by the volume growth of 5-6%.

While strong cash generation, slim balance sheets, stable cash surpluses will ensure a stable credit outlook, continuous digitisation, increasing awareness about hygiene and well being, along with the constant support from the government in the form of production linked incentive schemes (PLI), low GST rates, ensures a bright future for this sector.

The Indian FMCG sector has recorded impeccable developments on a number of fronts. Alongside, increasing rural disposable income in India and low penetration levels in the rural market would be beneficial for the sector and create a major scope for further growth. A significant shift in the dynamics of tier 1 and tier 2 cities along with brand consciousness, specifically in the food and healthcare segment, will account for an enormous shift in the market size of the sector in India. The tier 2 towns of India are expected to grow by 4.5% and will account for about 45% of the FMCG consumption by the year 2025. Thereby, the reports by ICICI Prudential Asset Management Company expect this sector to cross $220 billion by 2025 by growing at 14 per cent CAGR.

Apart from that, the government has allowed 100% FDI in the cash and carry segment and in single-brand retail along with 51% in multi-brand retail. This is expected to strengthen employment opportunities, supply chains and high visibility for FMCG brands in the organised retail markets, also bolstering consumer spending, hence, encouraging more product launches. The exemplary growth signs and statistical records, make the Indian FMCG sector and food and beverages market particularly, form a lucrative base for inflow of foreign investment.

KEY RISKS

Principal Risks:

Brand Preference - The tastes and preferences of consumers are changing more rapidly than ever before. Consumers not only look for goods that can meet their functional requirements but have a social purpose as well. Under indexation of the product portfolio in categories where a significant portion of the market is shifting to, may lead to loss of market share and hence, a competitive disadvantage.
The product portfolio must undergo continuous evolution accompanied by innovation and the right communication.

Supply Chain - Like every sector, the supply chain of the company might have to witness adverse events such as physical disruptions, environmental and industrial accidents, labour unrest, trade restrictions or disruptions with the supply of raw material, hampering the company's ability to deliver orders to its consumers. The cost of the underlying commodities and raw materials might lead to an increase in the cost of the products of the company and could have a negative impact on the company's business.

Business Transformation - HUL is constantly involved in major business transformation projects, be it acquisitions or disposals, organisational transformation including digital, aims at driving the company towards growth and development, but if the major transformations are not executed strategically, then the repercussions might turn out to be under development and less efficient working of the organization.

Plastic Packaging and Climate Change - The increasing concern about climate change and the use of plastic for packaging among consumers, government regulations and its environmental impact requires the company to find viable solutions to replace plastic, which currently, is used in abundance. The cost of appropriate replacement material, recycled plastic or any other alternative packaging materials is another issue. The higher costs of these alternatives could again impact profitability and if the company fails to find a solution, it might have to pay fines imposed by the government and might cost it its reputation.

The depleting water table and uncertainty on account of change of weather could pose a problem for products that require a significant amount of water, reducing either sale due to the decreased efficacy or creating a negative impact on the profitability of the company.

Systems and Information - Increased digitisation of operations and dependence on IT infrastructure, although have increased the efficiency of the business but at the same time posed threats of cyber attack to the sensitive information of the company. This unauthorised access to confidential information could impact sales, growth and the business model of the company. Increased interaction with its stakeholders over digital means has also raised concerns regarding the information of the company. The company must work towards mitigating the risks that might arise due to machine learning, use of AI, robotics process automation etc.

Macro-economic instability - The local and global macroeconomic factors, even more, spurred by the ongoing pandemic, has resulted in the shrinkage of disposable income of the consumers which could adversely impact the consumer confidence and slow down the growth of the sector, ultimately impacting the growth of the company.

Ethics - HUL's brands, reputation and business principles are its ethics. Any sort of breach of these principles by any of the employees or some extended organisation might affect the reputation and further the profitability of the company, to which it must be vigilant enough in order to maintain its reputation among customers.

COVID - 19 IMPACTS

The pandemic largely impacted this sector and HUL was no different to this. The impact of Covid was observed in the years 2020 and 2021 in the following key risk areas:

Health and well-being concerns - Employee safety, health and well being was the main concern during the pandemic. Companies had to take necessary actions such as work from home, provisions for worker safety, working practices to facilitate social distancing etc. As a result, all this led to slight discontinuity and irregularity in operations along with an increase in costs.

Channel transformation - Lockdowns, social distancing and restriction in the individual movement witnessed a shift from traditional physical retail to online shopping via e-commerce platforms. Thereby the company needed to invest in these sectors in order to reach out to the consumers via these channels.

Portfolio transformation - The pandemic has witnessed significant changes and shifts in terms of consumer behaviours due to increasing concerns on health and safety. Thereby the company needs to innovate and expand in the area of protection and hygiene to meet the increasing consumer demands.

IT availability and resilience - The pandemic transformed the way in which businesses are carried which has led to not only an increase in IT infrastructure but also its effective operation while managing increased vulnerability to leakages and disruptions.

Supply Chain Agility - The dynamic global landscape requires restructuring of the supply chain along with adherence to the changing regulations, requiring significant management. The key operations and logistics management must be continued to be focussed upon and ought to be flexible as per the changing requirements.

COMPETITOR ANALYSIS

		ITC	DABUR	BRITANNIA
Company Highlights	Founded in	1910	1884	1892
	Investors	Tobacco Manufacturers India Ltd; Life Insurance Corporation of India; Specified Undertaking Of the Unit Trust Of India; Myddleton Investment Company Ltd; New India Assurance Company Ltd; General Insurance Corporation of India; Oriental Insurance Company Ltd; National Insurance Company Ltd Rothmans International Enterprises Ltd; ICICI Prudential Life Insurance Company Ltd.	Promotors, Foreign Institutional Investors, Domestic Institutional Investors and General Public. It includes insurance companies like ICICI Prudential Life Insurance Company Ltd.	The Bombay Burmah Trading Corporation Ltd, Life Insurance Corporation of India, Asset Management Arm, BlackRock Inc. among others.

		ITC	DABUR	BRITANNIA
Company Highlights	**Acquisitions**	Sunrise Foods (May 2020), Technico Agri Sciences (Mar 2016), Shower To Shower (Feb 2015)	D&A Cosmetics Proprietary Ltd and Atlanta Body & Health Products Proprietary Ltd.	Strategic Foods International LLC and Al Sallan Food Industries
Marketing Information	**Target Market**	Households and consumers of various ages and societal backgrounds.	Households and consumers of different ages, income groups and backgrounds.	Households and consumers of various age, income groups and societal backgrounds.
	Market Share	25% in FMCG Sector	19% in FMCG Sector	38% in FMCG Sector
	Marketing Strategy	The company promotes its product through various channels, social media, print, television and radio. It also has different brand ambassadors for different brands. The company has taken initiative to create brand awareness on various social media platforms. It came up with the #proudlyIndian campaign and #SabSaathBadhein campaign.	ts marketing strategy aims at continuing its brand image by using an umbrella branding strategy, with most of its products under a single brand name, however, a few of them have other names. It uses print media and sales promotion to reach out to its customers. It also has a hold on television advertising and has started to take over the digital media as well. With brand ambassadors, it conveys social messages like paying homage to cancer patients, showing the beauty of a mother-daughter relationship etc. It also wishes to capitalise on the e-commerce store trend.	The company heavily relies on television advertisement, being an old established company. The marketing mix of the company is an assortment of diversified elements of the marketing plan. To attract their customers, the company uses a technique called Segmentation, Positioning and Targeting. The company has aced social media advertising to cope up with the increased digitalisation along with its influencer strategy. The marketing campaigns include #KushiyokiZiddKro #BourbonCampaign #TheNutrimovement The little hearts campaign etc.
Product Information	**Product and Services**	FMCG, Hotels, Packaging, IT Services, Paperboard and speciality paper and Agribusiness	FMCG	FMCG (Foods and Beverages)
	Popular Brands under FMCG	Under FMCG, it focuses on various sectors, these include food, personnel care, education	Under FMCG, it contains various healthcare products including Ayurvedic medicine,	It mainly focuses upon foods and beverages ranging from Biscuits, Breads, Cakes, Rusk,

		ITC	DABUR	BRITANNIA
Product Information	**Popular Brands under FMCG**	and stationary, agarbattis, cigarettes, safety matchsticks and lifestyle retailing. The famous brands include: Classmate Sunfeast Aashirvaad Yipee Bingo Fiama Vivel Savlon WLS	personal care, food and beverages, home care products etc. The famous brands include: Dabur Chyawanprash Dabur Honey PudinHara Honitus Meswaak Real Vatika Hajmola Fem	Dairy Products including Cheese, Beverages, Milk and Yoghurt. The famous brands include: Good Day NutriChoice Tiger Marie Gold Milk Bikis Treat Bourbon
	Pricing	To boost the market share, the company follows different pricing strategies for different products. The company has adopted premium pricing policies for luxurious products and reasonable pricing for the middle-class segment.	The price of various products is reasonable to the people of every class. Every product falls under the category of affordable and reasonable pricing strategies.	The company uses a competitive pricing strategy and almost all the products of the company are affordable while some of the products are premium for high-income group people.
	Distribution Channels	It has a widespread distribution channel and its products are available in every retail store as quickly as possible. It also has a well-established manufacturing and logistics distribution network with four manufacturing units and more than 60 dealers in India. The food products are also exported to North America, Australia, the Middle East, and Africa.	It has an exclusive supply chain network, covering 6.7 retail outlets, in both rural and urban areas. It uses a 3 tier distribution system, i.e. from stockist to wholesalers, to retailers and then to the final consumers. With this system, the products are made available in departmental stores, grocery shops, etc, across the country.	It has a direct distribution model wherein it controls the whole supply chain which it introduced in 2015. More than 20,000 company employees are responsible for visiting retail stores to analyse seller demands and needs and suggest products. These workers then take orders using mobile apps and these details are shared with the nearest distribution centres. The company then aims to fulfil the demand as soon as possible with an aim to reach one-day distribution and zero-day inventory.

		ITC	DABUR	BRITANNIA
Strength & Weakness Analysis	**Strengths**	• It has a strong brand presence in various businesses. • They have excellent research and development facilities. • It has a deep distribution channel.	• It has a wide variety of products for people of all age groups. • It has a strong brand image in the eyes of the customers, owing to the fact that it is a century-old company. • The company is currently operating in over 60 countries, with 5000 distributions and 3 million outlets.	• Britannia is the only company to provide bakery products for all income groups. • It holds a 30% market share of the Indian biscuit market, due to its in-depth range of products. • It has a diversified product portfolio such as biscuits, rusks, cakes and dairy products etc.
	Weaknesses	• ITC is still recognized as a tobacco company. • There is an increase in tax on tobacco and cigarettes.	• It has competition from both local as well as international brands such as Colgate. • Duplication of products sold under its name might affect its brand reputation.	• The company is over-dependent on its biscuit industry, while other likewise market leaders are dependent on the same, which might affect its business. • It has a struggling dairy industry due to stiff competition. • Besides India, it has presence in Dubai and Oman through subsidiaries, but other than that, it has no international presence.

MERGER WITH GSK

HUL has always responded to even the slightest growth stimuli in the Indian market. Since its inception, the company has had some major corporate decisions in the terms of mergers and acquisitions that have led to diversification and constant growth thereby making it the largest company in the Indian FMCG sector.

Continuing the legacy, a similar merger happened between HUL and GlaxoSmithKline Consumer Healthcare Limited ('GSK CH') on April 1, 2020. Following this merger, the company acquired the entire business of GSK CH including the right to use assets of brand Horlicks and Intellectual Property Rights of brands like Boost, Viva, Maltova, Horlicks etc.

(For other details about the merger, refer to the appendix)

P E S T L E ANALYSIS

Political

- The regulations of India have always favoured the FMCG sector, with merger of HUL with Tata Oil Mills and Lakme being the classic examples of smooth regulations and functioning.
- Approval of 100% FDI in the cash and carry segment and in single-brand retail as well as 51% FDI in multi-brand retail by the government of India.
- The government's policy linked incentives scheme has given the company an exponential opportunity to boost exports.
- The new consumer protection bill drafted by the government of India focussing on setting up an extensive mechanism to ensure accessible, speedy and timely delivery of justice to all the consumers. Now, the consumer choice might be even more dynamic and the product portfolio of the company needs to evolve even faster.

Economic

- The increasing disposable income of the people in rural areas is expected to expand the growth prospects and market penetration. Increasing demand lures foreign investors thus increasing the inflow of FDI.
- The market is expected to grow at a CAGR of 14% backed by increasing consumption and value-based growth. The company has witnessed an 11 percent increase in the net profit in Q1 of FY 2021, reporting a domestic consumer growth of 12 percent and total sales growth of 13 percent during the quarter.
- However, the increased prices of the skin care and laundry segment due to increased prices of raw materials remain to be a cause of concern for the company.

Social

- Increasing brand awareness and consciousness about health and hygiene is a key factor for driving consumer demand, putting a reputed name like HUL at a great advantage.
- The growing youth population in India has also played a propelling role to increase demand.
- With changing lifestyles, demand for ready to cook, ready to eat and packaged food has increased enormously.
- The Healthcare sector has seen a boom after the pandemic and even the company has been even more focussed upon Health and Hygiene, also adhering to the nutritional and quality standards.
- The rapidly changing consumer preferences, derived by both value for money and a social purpose has been a key focus area of the company

Technological

- E-commerce tie-ups have helped the sector recover from the effects of the pandemic. It is likely to contribute 5% to FMCG sales by the year 2025. Online grocery and the increasing adoption of cloud kitchens has backed the growth of the sector.
- HUL has never failed to adopt digitisation of operations and the pandemic has made the company even more dependent on the IT infrastructure which has smoothened the operations. The logistics are expected to transform into a modern and efficient model along with improvement in operations and warehousing. New technical advancements like machine learning, robotics process automation and AI have grown to play an important role in the organisation.
- With increasing importance of data protection, cyber-attack threats to the confidential information of the company would impact the company negatively.

Legal

- The reduction in the rates of GST, specifically for products in the healthcare and hygiene segment, is beneficial for the sector.
- The company has a history of adherence with all the rules and laws of the country. The legal and regulatory teams are engaged in monitoring the practices of the business to ensure that it is in tandem with the rules and regulations of the country.
- However, instability in regulatory policies related to direct/indirect taxes, labour laws, corporate laws, licenses and permits, data privacy among others, might lead to avoidable regulatory actions, owing to the diverse compliances on the same subject.

Environmental

- Investment in energy-efficient models of production as well as alternative approaches to feedstock and manufacturing processes would address the sustainability issues and lower the costs of production.
- HUL has undertaken many measures to reduce carbon footprint and has successfully reduced carbon emissions by 91% (kg/tonne of production), water consumption by 54% (in m^3/tonne of production) and total waste generated by 59% (kg/tonne of production) in HUL's manufacturing operations over the 2008 baseline. It also aims to halve the greenhouse gas impact of Unilever's products across its life cycle by 2030.
- The company also has created a water potential of 1.3 trillion litres by HUF cumulatively through improved supply and demand water management.

PORTER'S 5 FORCES ANALYSIS

Rivalry among the competitors - The FMCG sector is one of the most competitive sectors comprising various brands. Not just the brands but the sector also witnesses competition in the terms of products. Over the past few years, the sector has witnessed a new and innovative product coming up every quarter.

The sector highly depends on the advertisements, as a result, companies spend a huge amount towards the same. The switching cost is very low as the product and price differentiation is very low, ultimately intensifying the competitiveness among all the companies.

Threat by Substitutes - With increasing brands and competitiveness, each company aims at developing a substitute to hold the market position. But the products in this industry aren't substitutes but quite homogenous with minimal differentiation. Along with the quality of the product, the pricing also remains within a close range. Thereby narrow product and price differentiation it is quite easy for consumers to switch. However, switching isn't always easy and depends on the product in some cases.

Entry Barriers - The entry barriers in this sector are very less as compared to the other sectors. With the allowance of 100% foreign direct investment in food processing and single-brand retail and 51% in multi-brand retail, the entry becomes quite easy and the sector is expected to be crowded in the future years.
Adding on to this the transportation and distribution channels of FMCG are very large and expanded thereby further easing out the entry of new players.
In order to compensate for this, companies are heavily dependent on building the brand through advertising, uniqueness, innovation etc.

Bargaining power of suppliers - FMCG companies have access to a large number of suppliers and they usually enter into a long term business with them thereby keeping these companies in a position wherein they can negotiate the prices.

However, since there are many competitors manufacturing closely related products, suppliers can exert pressure on such businesses by increasing the prices, lowering the quality, delaying the delivery or reducing the product availability. Thereby companies need to maintain a hold on the suppliers to ensure they get the product at the cheapest rate and in the required volume.

Bargaining power of customers - Factors like similar products, similar price range, easy availability and that too in different sizes and quantities, low switching costs etc have increased the customer bargaining power to a great extent.

However, with rising income and health awareness brand quality has become the key factor. Brand consciousness and brand awareness have also become key influencers. Thereby by focusing on innovation, quality of the product and their marketing strategies the companies might be able to lower the customer bargaining power to some extent.

APPENDIX - MERGER WITH GSK

Both the companies mutually went ahead with an equity-based merger with a swap ratio of 4.39:1(i.e. 4.39 shares of HUL for 1 share of GSK India) which resulted in the addition of 185 million shares to HUL, i.e. a share dilution of 8.5%, while the total consideration stood at Rs 42,242 Crores.

Benefits of the deal to HUL:

- Saved cash reserves
- Helped in avoiding reducing taxation because, as per section 47(vii) of Income Tax any transaction involving the exchange of shares among parties of the Indian region is tax neutral. Payment made for goodwill wasn't taxable either.
- Included Consignment Service Agreement which stated that GSK will distribute it's Over the Counter drugs or non-prescription drugs and other medical and oral healthcare products via the channels of HUL only (period of 5 years, can be extended with mutual consent).
- Entered into an IT Transition Service Agreement for a time period of 1 year.
- Acquired the trademarks of GSK and control of all its production units and distribution channels

Impact on shareholders:

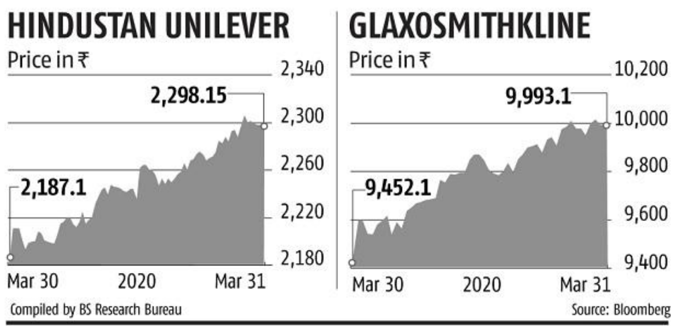
- Promoters' holdings fell by 5.28%
- GSK's shareholding increased by 5.7% under the public shareholding category

The deal not just saved the cash reserves of HUL but also helped in avoiding taxation to great extent because as per section 47(vii) of Income Tax any transaction involving the exchange of shares among the parties of the Indian region is tax neutral. Even the payment made for the goodwill wasn't taxable. This decision impacted the shareholdings of 2 groups i.e. the HUL's promoters, whose holdings were decreased by 5.28% in the company, and the shareholding of GSK which increased to 5.7% under the public shareholding category.

The deal also included a Consignment Service Agreement which stated that GSK will also distribute it's Over the Counter drugs or non-prescription drugs and other medical and oral healthcare products via the channels of HUL only. As of now this arrangement is just for the period of five years but can be renewed with mutual consent. Under this deal, the companies have even entered into an IT Transition Service Agreement for a time period of 1 year.

The deal benefited both parties as GSK aimed at using the proceeds generated from such a deal to reduce the debt and for other strategic requirements of the company. Following the announcement of the deal, GSK clearly stated that they decided to sell the stake to HUL only when they felt the market conditions were appropriate and favourable. On the other hand, HUL was largely benefitted as they not only acquired the trademarks of GSK but also got hold of all its production units and distribution channels. The larger supply chain along with the marketing and distribution expertise of HUL would help the products reach areas where the products were less or not consumed at all. Following this the company is aiming at injecting the demand even in those areas where such products were not popular and even proposed a strategy pertaining to market reach in rural areas in June 2020. The company can unlock the potential of northern and western markets where GSK is weak by using a combination of innovation and distribution. It's expertise and learning of the sachet market will help GSK penetrate in the market along with new user recruitment. HUL claimed this merger to be in line with its strategy of building a sustainable Food and Refreshment (F&R) business in India by leveraging the trend of health and wellness. Not just sustainability, the merger also helped in ensuring greater profitability. Since HUL got hold of all the major products like Horlicks, Boost, it would not only result in strengthening its market share but also increase its profit margin.

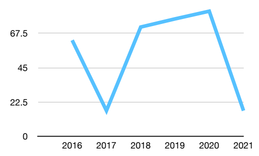
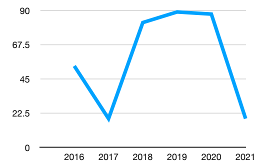
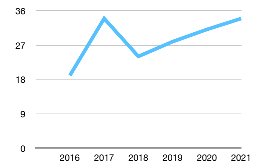
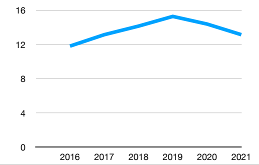
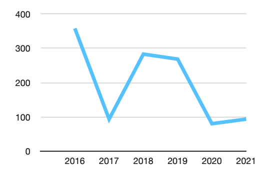
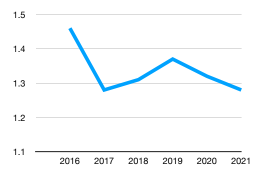
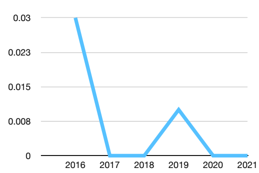
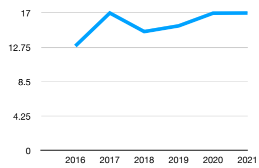
Both HUL and GSK CH saw a push in their share prices on the announcement i.e. on 3rd December 2018 as well as on the closing date of this deal i.e. 1st April 2020. In fact, within a period of around 1-year post the merger announcement the stock price of HUL has increased by 35% and GSK Consumer has witnessed a surge of 39% on the BSE.



With the massive increase in stock prices, the net profit of HUL for Q1 FY 2022 was reported at ₹2061 crores, registering a growth of 9.5% and the total income stood at ₹ 11,982 crores, compared to ₹ 10,716 crores in the year-ago period. The total sales grew by 13% and domestic consumer growth grew by 12%. The Foods and Refreshment(F&R) business grew by 12% in the quarter. The merger has played a crucial role in generating such results and has helped HUL to stand in front in almost every sector in the FMCG industry. HUL further projects a rise in net profits by more than 20% margin as well as a rise in 500-700 BPS by the next 4-5 years.

In conclusion, the deal has been profitable for both the companies and has helped in serving the purpose and motive of both the companies.

RATIO ANALYSIS

Ratios	HUL	ITC	DABUR	BRITANNIA	ANALYSIS	HUL CHARTS
Return on Net Worth (%)	16.77	21.8	22.09	52.53	Against its competitors in the FMCG market, HUL has the lowest Return on net worth which means thee company is not utilising the funds of its shareholders efficiently.	
Return on Capital Employed (%)	19.01	28.49	26.38	59.71	Return on capital employed of HUL is also significantly low in contrast to other players in the market, evidenting that the company is inefficient in generating profits from its capital employed.	
Basic EPS (Rs)	34.03	10.7	9.58	77.43	Basic EPS of HUL is amongst the highest in the industry providing shareholder's a good amount of return on their investments.	
Inventory Turnover ratio	13.14	4.69	5.5	12.04	The Inventory turnover is highest among its peers which suggest that the company has an efficient inventory management system.	
Interest coverage ratio	93.69	403.54	67.7	23.66	An interest coverage ratio that is notably higher than most of the industry is a strong indicator that HUL can pay for its interest expenses several times over, however, it is not even a quarter of that of its biggest competitor.	
Current ratio	1.28	3.27	1.63	1.22	Having a current ratio of less than 1.5, one of the lowest among its competitors, is concerning and might suggest that the company is not well placed to pay its debts.	
Debt Equity ratio	0	0	0.06	0.59	A debt-equity ratio of 0 suggests that HUL hasn't relied on borrowing to finance its operations. Moreover, a ratio less than its industry competitors indicates lower risk of loan default and decreased possibility of bankruptcy.	
Net profit margin (%)	17	27.17	17.76	14.08	HUL's net profit margin is close to other competitors' but significantly lower than ITC's, showing its moderate efficiency at converting sales into actual profits.	

DISCOUNTED CASH FLOW

IN CRORE	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
					HUL					
EBIT	10501.00	10910.26	11951.43	13149.43	14201.38	15263.17	16129.87	17093.90	17681.67	18565.76
tax rate	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%
EBIT(1-t)	7854.748	8160.875	8939.672	9835.772	10622.633	11416.855	12065.141	12786.235	13225.892	13887.186
WACC	**9.53%**									
CAPEX	2505.00	4022.74	4344.56	5376.40	5806.51	5548.44	4460.95	3152.40	1820.51	1911.54
Working Capital	2078.07	2372.75	5556.57	5892.04	6346.32	3430.91	3952.33	3738.29	4513.96	4619.65
Change in Working Capital	1500.23	294.68	-448.17	335.46	454.28	-222.26	521.43	-214.04	775.67	105.70
Depreciation	4632.03	4592.43	4576.32	4628.32	4704.90	4759.73	4740.31	4637.10	4454.02	4288.76
Terminal Value										**485219.019**
FCFF	8481.548	8435.874	9080.343	9850.631	10142.902	12550.935	11823.081	14484.975	15083.73	16158.71
FCFF (terminal value inclusive)	8481.548	8435.874	9080.343	9850.631	10142.902	12550.935	11823.081	14484.975	15083.732	501377.73

Enterprise value	₹ 289,034.11
Net Debt	0
Equity Value	₹ 289,034.11
No. of shares	234.959
Intrinsic Value	1230.148

Find the full sheet of Hindustan Unilever Valuation here.

CONTRIBUTORS

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