



HINDUSTAN UNILEVER LIMITED

With over 85 years of heritage in India, Hindustan Unilever Limited (HUL) is India's largest fast-moving consumer goods company. On any given day, nine out of ten Indian households use HUL products, giving it a unique opportunity to build a brighter future. HUL is known for great brands, the positive social impact it create.

With 44 brands spanning 14 distinct categories such as fabric solutions, home and hygiene, life essentials, skin cleansing, skincare, hair care, colour cosmetics, oral care, deodorants, tea, coffee, ice cream & frozen desserts, foods and health food drinks, the Company is a part of the everyday life of millions of consumers across India.

HUL is a subsidiary of Unilever, one of the world's leading suppliers of Food, Home Care, Personal Care and Refreshment products with sales in over 190 countries. Unilever group from the UK has ~61% stake in the HUL.



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INDUSTRY

INDUSTRY : Fast-moving consumer goods (FMCG)

With a growth rate of 14.7 percent, the FMCG sector has been projected to grow to a market size of almost US\$ 220 billion by 2025. With the growth in Indian GDP, the disposable income of people increases. This results in rise in demands of premium products. People demands brands that provide the required safety and hygiene hence the consumption of HUL products will also rise.

Since the very early years, HUL has vigorously responded to the stimulus of economic growth. The growth process has been accompanied by judicious diversification, always in line with Indian opinions and aspirations.



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Brands and Products

Power Brands of HUL



POND'S

Dove



Rexona



LUX

Pears'

AXE

Pepsodent



LAKME

SUNSIK

CLINIC

PLUS+





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Product Categories

There are 3 major categories under HUL:



Beauty & Personal Care

1) Beauty and personal care: Axe, Dove, Lifebuoy, Lux, Pepsodent, Ponds, Rexona, Sunsilk, Tresseme, Vaseline, Closeup, Fair & Lovely, Lakme, Pears, Toni&Guy, Brylcreem, clinic plus, Elle18, Hamam, Indulekha, Ayush Lever, Liril, Rexon



Foods & Refreshment

2) Food and refreshment: Boost, Cornetto, Horlicks, Knor, Lipton, Bru, Brook Bond Red label, 3 roses, Tazza, Taj Mahal, Kissan, Kwality Wall



Home Care

3) Home care: Rin, Vim, Surf Excel, Wheel, Domex, Comfort

MANAGEMENT



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We have been able to bring down the curtains on the financial year 2020-21 with a robust set of numbers. We reported a turnover of ₹45,311 crores. ”

Mr. Sanjiv Mehta
Chairman and
Managing Director

Sanjiv Mehta is the Chairman and Managing Director of Hindustan Unilever Limited (HUL). He is also the President of the Federation of Indian Chambers of Commerce and Industry.

From October 2013, he assumed his responsibilities of heading Unilever's business in India and South Asia. During his seven years at Hindustan Unilever Limited, the company's market capitalization has increased from \$17 billion to over \$70 billion, making HUL one of the most valuable companies in the country. Under his leadership, HUL has been driving several initiatives to address environmental and societal issues.

HUL is the biggest FMCG company in India with a market capitalisation of 5.40 lakh Crore. It was established in 1933 which makes it a 87 year old company. So it is one of the oldest companies and a trusted brand in India.



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GROWTH STORY

In 1930, Unilever is formed through merger of Lever Brothers and Margarine Unie.

In 1931, Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company

1933 -Application made for setting up soap factory next to the Vanaspati factory at Sewri; Lever Brothers India Limited incorporated on October 17.

1937 - Mr. Prakash Tandon, one of the first Indian covenanted managers directed Hindustan Lever during the important transitional phase of Indian management. He was the first Indian Chairman of Hindustan Lever Ltd.

1939 - Garden Reach Factory purchased outright; concentration on building up Dalda Vanaspati as a brand. Dalda introduced in 1937, becoming one of the longest-running brands in India.



1947 - Pond's Cold Cream launched.

1955 - 65% of managers are Indians.

1956 – Unilever first Indian subsidiary, Hindustan Vanaspati Manufacturing Company (1931), followed by Lever Brothers India Limited (1933) and United Traders Limited (1935) These three companies merge to form Hindustan Unilever Limited, with 10% Indian equity participation.

1959 - Surf launched.

1961 - Mr. Prakash Tandon takes over as the first Indian Chairman

1993 - HUL's largest competitor, Tata Oil Mills Company (TOMCO), merges with the company with effect from April 1, 1993, the biggest such in Indian industry till that time. Merger ultimately accomplished in December 1994; Launch of Vim bar; The erstwhile Brooke Bond India acquires the Kissan brand



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In 1996, HUL and yet another Tata company, Lakme Limited, formed a 50:50 joint venture, Lakme Unilever Limited, to market Lakme's market-leading cosmetics and other appropriate products of both the companies. Subsequently in 1998, Lakme Limited sold its brands to HUL and divested its 50% stake in the joint venture to the company.

2000 - Mr. M. S. Banga takes over as Chairman from Mr. K. B. Dadiseth, who joins the Unilever Board; HUL acquires 74% stake in Modern Food Industries Ltd., the first public sector company to be disinvested by the Government of India.

2007 - Company name formally changed to Hindustan Unilever Limited after receiving the approval of share holders during the 74th AGM on 18 May 2007 .Sales of Brooke Bond and Surf Excel each cross the Rs 1,000 crore mark.



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2010 - The company launched Pureit Marvella against Aquaguard for domination in the fast-growing water purifier market in the premium category.

2014 - Unilever announced a partnership with Internet.org, a Facebook-led alliance of partners, to understand better how internet access can be increased to reach millions more people across rural India.

2020 – Merger of GSK Consumer Healthcare with Hindustan Unilever Limited. Iconic health food drink brands – Horlicks and Boost enter the foods & refreshment portfolio of HUL, making it the largest F&R business in India.

HUL has rebranded skin care brand - Fair and Lovely as Glow and Lovely. HUL announced acquisition of VWash, the market leader in female intimate hygiene category to enter the currently underpenetrated and rapidly growing market segment.



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SCALABILITY

The Union Budget for fiscal 2022-23 is certainly a well-balanced and progressive budget that is focussed on creating jobs and employability, boosting manufacturing and help agri-economy.

Government's focus on investment in creating infrastructures such as roads, ports, infrastructure, and airports among others. This will improve logistics, connect cities and states and in turn help in good manufacturing, easy access for goods and services within India. This will further enhance the growth of manufacturing sectors such as FMCG.



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Rural demand in the past few quarters has been resilient thanks to government initiatives such as higher spending on the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), food subsidies, direct cash transfers to farmers, and a decent harvest. Almost 30 percent of HUL business comes from packs that operate at magic price points of Rs 1, Rs 5, and 10.

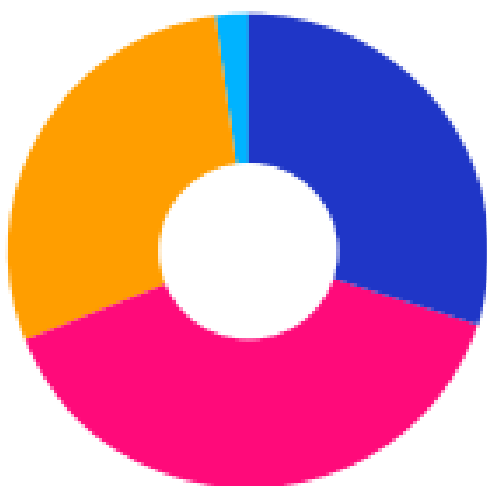
We believe soaps, sanitizers & foods categories would continue to see robust growth with heightened hygiene preferences & increased at-home consumption.



REVENUE BREAKUP

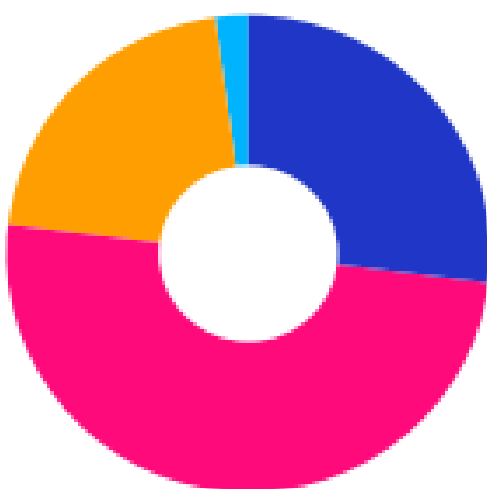
SEGMENTAL PERFORMANCE IN 2020-21

Segmental Revenue (%)



Home Care	30
Beauty & Personal Care	39
Foods & Refreshment	29
Others	2

Segmental Results (%)



Home Care	27
Beauty & Personal Care	50
Foods & Refreshment	21
Others	2



COMPETITIVE ADVANTAGE (USP)

- 1) 80+ years of market presence: In-Depth knowledge about the customer preference
- 2) Distribution Network : Strong distribution network with products sold over 8 million outlets and 4500 distributors across India. This provides easy accessibility to these products.
- 3) Brand leadership: Brands like Lux, Dove, Vaseline, Clinic Plus, Surf excel, Lakme, Closeup, Kissan, Knorr, Kwality walls need no introduction. People's taste and preferences have now been stuck to the brand. In pandemic times, people are looking for quality, hygiene and safety so they are preferring trusted brand. At the same time, people look for low cost food items because people want to save money for contingencies.



4) Strong marketing in both physical and digital space: HUL is one of the top spenders in India in marketing spending. This helps HUL brands to be on top of the mind recall of every consumer in India. They are also effectively utilizing the digital channel of marketing to create brand awareness.

5) Technological revolution: Under the digital transformation program, HUL is embedding the technology across the end to end value chain to build a “future-fit” business



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PEER COMPARISON

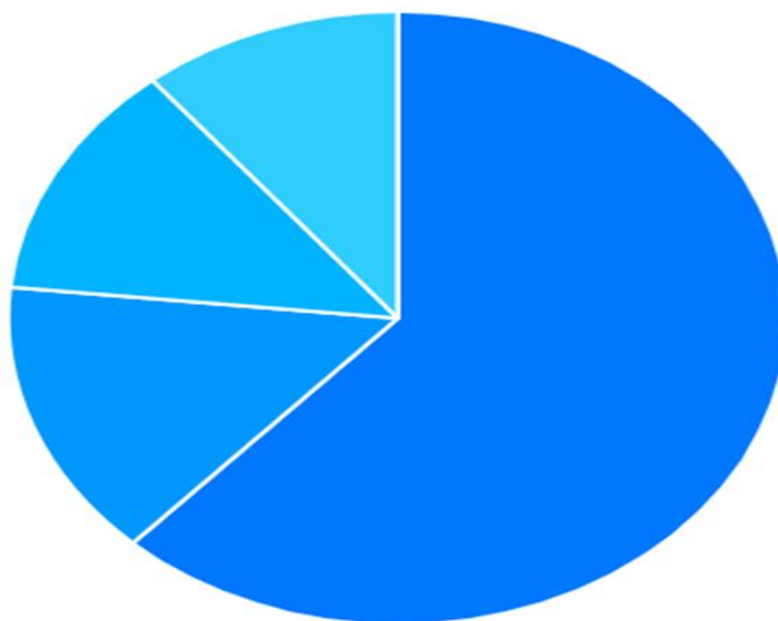
S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %
1.	Hind. Unilever	2257.60	60.11	530443.72	1.37
2.	P & G Hygiene	14894.80	83.70	48349.62	1.11
3.	Colgate-Palmoliv	1437.15	36.55	39088.42	2.64
4.	Gillette India	5091.00	58.09	16591.57	0.71

S.No.	Name	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Hind. Unilever	2297.00	18.85	13439.00	10.33	39.21
2.	P & G Hygiene	212.06	-15.39	1092.98	7.32	93.78
3.	Colgate-Palmoliv	252.33	1.60	1280.12	3.91	92.00
4.	Gillette India	70.50	-13.92	563.44	8.27	51.04



SHAREHOLDING PATTERN

Share Holding Pattern



- Promoters : 61.9%
- FII : 14.71%
- Public : 12.53%
- DII : 10.85%
- Others : 0%

Promoter Pledging %

DATE	PROMOTER %	PLEDGE %
Dec 2021	61.9	0
Sep 2021	61.9	0
Jun 2021	61.9	0
Mar 2021	61.9	0
Dec 2020	61.9	0



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Future Projection

1) Huge scope of penetration in the tier 2, 3 and 4 market of India: Many people in small towns and villages are still using low quality unbranded products. There is huge scope for HUL to increase its presence in rural areas in India. Rural markets have grown faster than urban markets. The eB2B app, Shikhar enabled HUL retailer partners to place contactless orders conveniently and now, it has over 5 lakh retailers ordering through Shikhar

2) Premiumization: In laundry for instance, it is moving from powder to liquids for washing machines. In skin cleansing, there is room to increase consumption by shifting bar users to liquid. In refreshments, it is adding natural care and green tea. In personal care, it is creating categories of antiperspirant, hair conditioner, liquid soap, and the likes, all to build markets of the future.

3) Urbanization: Consumers have more income in their hands, and want better lives.



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Innovation of new products: Innovation is at the heart of Unilever's ambition to grow sustainably. Science, Technology and Product Development are central to its plans to keep providing consumers with brands that improve their lives while having a positive impact on the environment and society. Some of the new products are Lifebuoy 'germ kill spray', Domex disinfectant sprays, germ removal wipes, Lifebuoy cloth sanitizers and Surf Excel anti-germ wash booster.



Mergers and acquisitions: HUL revenue from Food and Refreshment was only 19%. It has recently acquired Horlicks and Boost which help HUL strengthen its foothold in Nutrition and Health drink category which is a fast growth category in India.

RISKS



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- Raw material cost: The cost of products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs may negatively impact business.
- FMCG companies are grappling with the rise in prices of several key commodities such as palm oil, and crude-linked derivatives for several quarters now. Despite taking price hikes of several rounds, the companies have been unable to pass on the increased costs to consumers given the quantum of inflation and fearing an impact on demand. This in turn has dented their margins. According to HUL's management, the company's raw material costs are up by 30 percent as compared to FY20, most of which is on account of commodities such as palm oil and crude-linked derivatives. Palm oil is a key raw material for soaps, while crude-linked derivatives are essential for detergents and packaging material. About two-thirds of the business is exposed to these commodities



- **Brand Preference** : Consumer tastes, preferences and behaviours are changing more rapidly than ever before. The success of HUL depends on the value and relevance of brands to its consumers and on the ability to innovate and remain competitive. Although the brands are trusted and preferred over the competitors yet new entry into this industry is easy and rapidly increasing. Under indexation of product portfolio in segments where substantial market is moving to, may lead to loss of market share and long-term competitive disadvantage.

Risk management : Monitor external market trends, translate the trends in consumer preferences and taste into new technologies for incorporation into future products.



- **Supply Chain:** HUL supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents, labour unrest, trade restrictions or disruptions at a key supplier, which could impact our ability to deliver orders to our customers. Covid-19 has challenged and continues to challenge the resilience and continuity of our supply chain.
- **Plastic Packaging :** HUL use a significant amount of plastic to package its products. A reduction in the amount of single use plastic, the use of recycled plastic and an increase in the recyclability of packaging are critical to the future success.



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Good Governance

HUL has created a sustainable living plan which include improving the health and hygiene in India: It is increasing its nutritional portfolio to help people achieve healthier diet.

It has planned to reduce the environmental impact by reducing the Co2 emission from the manufacturing, reduction in water consumption, reduction in waste generation, reduction in plastic usage, making reusable and recyclable packaging and sustainable sourcing of raw materials.

HUL has empowered over 136 thousand Shakti entrepreneurs (women entrepreneurs in rural India); impacted over 154 million people through health & hygiene initiatives, benefited over 6 million people across 19 states and two union territories in India.



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Dividend

The Board of Directors has proposed a final dividend of Rs. 17 per share, subject to approval of shareholders at the AGM. Together with interim dividend of Rs. 14 per share, the total dividend for the financial year ending 31st March, 2021 amounts to Rs. 31 per share. During the year, special dividend of Rs. 9.5 per share was also paid. If we add up, the total dividend payout during the year will be over Rs. 9,500 crores.



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FINANCIALS

BALANCE SHEET

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Sep 2021
Share Capital +	216	216	216	235	235
Reserves	7,065	7,651	8,013	47,439	47,723
Borrowings	0	99	0	0	1,129
Other Liabilities +	10,581	10,663	11,924	21,066	20,289
Total Liabilities	17,862	18,629	20,153	68,740	69,376
Fixed Assets +	4,528	4,715	5,479	51,443	51,473
CWIP	461	406	597	745	922
Investments	2,873	2,716	1,255	2,709	2,308
Other Assets +	10,000	10,792	12,822	13,843	14,673
Total Assets	17,862	18,629	20,153	68,740	69,376



BALANCE SHEET ANALYSIS

	2018-19	2019-20	2020-21
Return on Capital Employed (%)	131.2	128.5	22.9
Return on Net Worth (%)	90.5	92.0	17.0

Return on Net Worth (RoNW) is a measure of profitability of a Company expressed in percentage. It is calculated by dividing total comprehensive income for the year by average capital employed during the year.

Return on Capital Employed measures how well a Company is generating profits from its capital. ROCE and Economic Value Added have dropped in financial year 2020-21 on account of increase in shareholders' equity pursuant to the merger of GSK CH



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PROFIT AND LOSS ACCOUNT

	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	TTM
Sales +	33,162	35,545	39,310	39,783	47,028	51,112
Expenses +	26,834	28,046	30,430	29,930	35,403	38,514
Operating Profit	6,328	7,499	8,880	9,853	11,625	12,598
OPM %	19%	21%	23%	25%	25%	25%
Other Income	606	353	322	432	171	206
Interest	35	26	33	118	117	79
Depreciation	432	520	565	1,002	1,074	1,079
Profit before tax	6,467	7,306	8,604	9,165	10,605	11,646
Tax %	31%	28%	30%	26%	25%	
Net Profit	4,476	5,214	6,054	6,748	7,995	8,761
EPS in Rs	20.68	24.09	27.97	31.17	34.03	37.28
Dividend Payout %	82%	83%	78%	80%	119%	



Profit & Loss analysis

Compounded Sales Growth	
10 Years:	9%
5 Years:	8%
3 Years:	10%
TTM:	17%

Compounded Profit Growth	
10 Years:	15%
5 Years:	14%
3 Years:	16%
TTM:	19%



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Profit & Loss analysis

HUL reported a turnover of Rs. 45,311 crores growing by 18% and Domestic Consumer Growth was 6%. Profit after tax at 7,954 crores was up 18%. The main reason of massive sales growth in year 2020-21 was that during the pandemic, the humble bar of soap became the first line of defense resulting in an unprecedented demand for Skin Cleansing and hand hygiene products. Lifebuoy launched 15 new product variations in the hand hygiene portfolio within just 30 days. This increase in sales is excluding the impact of merger of GSK CH and acquisition of 'VWash'

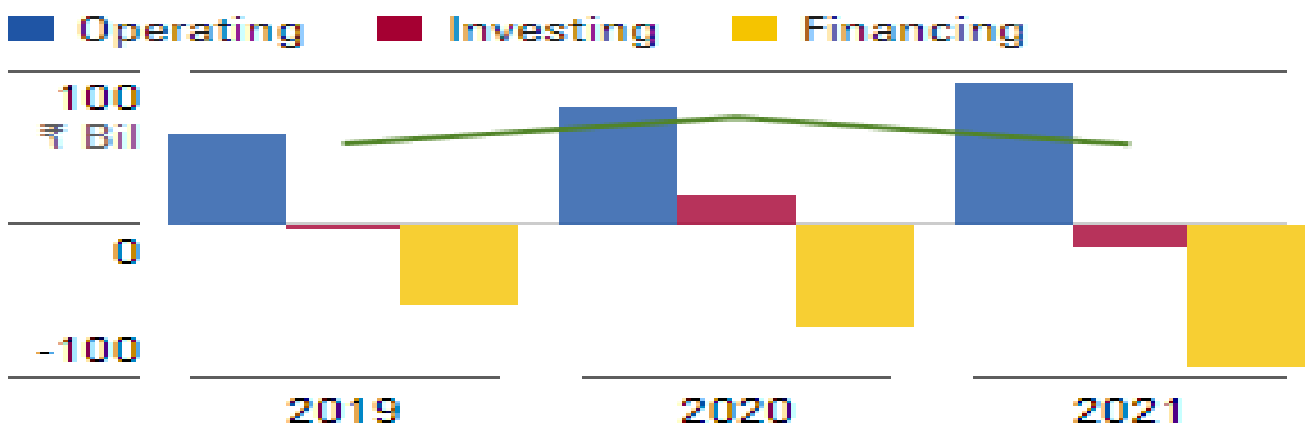


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CASH FLOW STATEMENT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	TTM	3-Yr Trend
Operating (Bil)	58.00	76.23	91.63	94.16	
Investing (Bil)	-4.38	17.91	-15.28	-9.76	
Financing (Bil)	-53.90	-68.19	-93.09	-79.40	
Capital Expenditure (Bil)	-7.67	-8.62	-41.63	-9.45	
Free Cash Flow (Bil)	50.33	67.61	50.00	84.71	

Cash Flow >



KEY RATIO ANALYSIS



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PE ratio: - Price to Earnings' ratio, which indicates for every rupee of earnings how much an investor is willing to pay for a share. Hindustan Unilever has a PE ratio of 61.19 which is slightly higher.

Return on Assets (ROA): - Return on Assets measures how effectively a company can earn a return on its investment in assets. In other words, ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits. Hindustan Unilever has ROA of 18.19 % which is a good sign for future performance. (higher values are always desirable)

Current ratio: - The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio is desirable so that the company could be stable to unexpected bumps in business and economy. Hindustan Unilever has a Current ratio of 1.26 .



Inventory turnover ratio: - Inventory Turnover ratio is an activity ratio and is a tool to evaluate the liquidity of a company's inventory.

It is a very important ratio in FMCG sector.

It measures how many times a company has sold and replaced its inventory during a certain period of time. Hindustan Unilever has an Inventory turnover ratio of 17.14 which shows that the management is efficient in relation to its Inventory and working capital management.

So higher the ratio, the better it is as the supply chain logistics are very important in the FMCG sector. The amount by which they fill their inventories, their revenue will become better and so will their profits.

Sales growth: - Hindustan Unilever has reported revenue growth of 18.59 % which is fair in relation to its growth and performance.



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Return on equity: - ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates. Hindustan Unilever has a ROE of 29 % .(higher is better)

Debt to equity ratio: - It is a good metric to check out the capital structure along with its performance. Hindustan Unilever has a D/E ratio of 0 which means that the company has low proportion of debt in its capital.

Operating Margin: - This will tell you about the operational efficiency of the company. The operating margin of Hindustan Unilever for the current financial year is 25 %.



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CONCLUSION

HUL is continually engaged in major change projects, including acquisitions, disposals, and organisational transformation including digital, to drive continuous improvement in business and to strengthen its portfolio and capabilities. HUL is building a future-fit portfolio by strengthening its core brands, creating categories of the future through market development, and driving premiumisation by straddling the price-benefit pyramid. The focus is to make our bigger brands better by capturing emerging trends and landing impactful innovations to fuel growth.

It is a fundamentally super strong company and is fairly valued at the current level. Therefore we recommend **“BUY”** HUL share for long term.