Assignment 3

Hindustan Unilever

Hindustan Unilever Limited (HUL) is India's largest fast-moving consumer goods company. 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, toothpaste, tea, coffee, packaged foods, ice cream, soups, branded atta, and others present across Home Care, Beauty & Personal Care, and Foods & Refreshment category. The revenue mix as of Q3FY22 is as follows: Home Care (32%), Beauty & Personal Care (39.5%), Foods & Refreshment (26.5%), and Others (2%).

● The market cap of it is 5,16,885 Cr (Quiet large).
● The company also provides a dividend yield of 1.55 percent.
● Company has grown in the last five years.
● Growth in the last 5 years is 99.29%.

PROS

● The company is almost debt-free.
● The company has a good return on equity (ROE) track record: 3 Years ROE 28.42%
● The company has been maintaining a healthy dividend payout of 96.35%

CONS

● Stock is trading at 10.52 times its book value
● The company has delivered a poor sales growth of 9.60% over past five years. ● Promoter holding has decreased over last 3 years: -5.29%

The company was founded in 1888 and is headquartered in Mumbai, India. Hindustan Unilever Limited operates as a subsidiary of Unilever Plc. TSR Tech Strength is based on Deep Analysis, Back Testing and Historical Trend Analysis using Machine Learning.

In 1956, Hindustan Vanaspati manufacturing company became "Hindustan Lever Limited" as a result of a merger among Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. Company was renamed as Hindustan Unilever Limited in June 2007. HUL is a market leader in consumer products segment with products in more than 20 categories.

Growth Ratios

The company is growing both organically as well as by strategic acquisition. Recently they acquired GSK consumer brand Horlicks, Boost and Maltova. The revenue has shown a continuous increase of around 10% CAGR since 2010. The EBIT and Net Income are also increasing at a constant rate. The working capital is also positive over the years which shows a surplus of current assets over current liabilities.

Liquidity and Solvency Ratios

HUL is financed fully by equity capital and retained earnings which makes it a zero-debt company. The Quick ratio has been improving over the years, and the current ratio is also stable, which shows good liquidity. The leverage is also going down, which signifies that more and more assets are financed by equity and not by leasing or debt. This improves the net income margin in the future.

ROE 5-way Du Pont Analysis

The asset turnover has improved over the years and so has the operating margin. The leverage is coming down, and tax efficiency is stable over the years, which together improves the ROE of the company. The interest burden is almost 100% due to no long-term debt.