

Valuation of

# HINDUSTAN UNILEVER LIMITED

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## WORKFLOW

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- Introduction
- About the company
- SWOT analysis
- Dupont & ratio analysis
- Forecasting
- Assumptions
- Valuation
- Scenario Analysis



*Hindustan Unilever Limited*

## HISTORY

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- Hindustan Unilever Limited (HUL) is a British-owned Indian consumer goods company headquartered in Mumbai, it belongs to the British business Unilever
- Foods, drinks, cleaning supplies, toiletries, water purifiers, and other quickly used commodities are among its offerings
- Formerly known as Hindustan Vanaspati Manufacturing Co., HUL was founded in 1931
- In 1956, the several member organisations merged, and Hindustan Lever Limited was born. In June 2007, Hindustan Unilever Limited was given a new name.





## ABOUT THE COMPANY

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- ❑ Hindustan Unilever Limited (HUL), the country's leading manufacturer of fast-moving consumer products, has a 90-year history in India.
- ❑ Nine out of ten Indian families regularly use one or more HUL products, providing the firm with a special potential to create a better future.
- ❑ They are renowned for their outstanding brands, the beneficial social effect THE firm made, and their commitment to ethical business practises
- ❑ The Company is a part of the daily lives of millions of consumers throughout India thanks to its 50+ brands
- ❑ The business employs roughly 21,000 people and generates revenues of more than INR 50,000 crores
- ❑ HUL was ranked eighth internationally by Forbes and as the most innovative firm in India.

## Industry Analysis

A low-angle shot of a modern glass skyscraper against a blue sky with light clouds. The building's curved glass facade reflects the sky and features a large, prominent reflection of the Unilever logo, which includes a crest and the word 'Unilever' in its signature script. The building's architecture is characterized by horizontal bands of windows and a sleek, curved design.

- Growing at the CAGR of 14.9%, US\$ 220 billion by 2025
- Indian Packaged food market is expected to double to \$70 billion by 2025
- Rising digital connectivity increasing demand for FMCG through e-commerce portals.
- Increase in disposable income in rural India.
- Injection of 10 lakh crore by government in infrastructure

# Vision

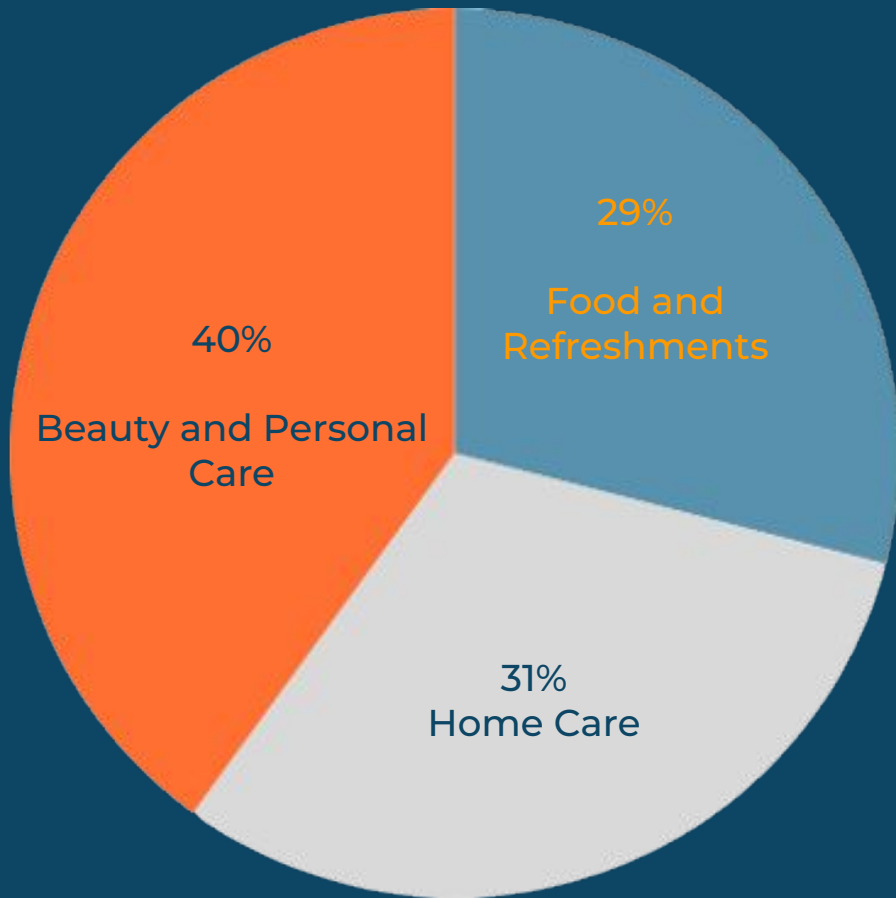
## Hindustan Unilever Leadership

“We are known for our great brands, the positive social impact we create and our belief in doing business the right way. HUL works to create a better future every day and helps people feel good, look good and get more out of life with brands and services that are good for them and the planet.”



## HUL Product Breakup

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- Operates in 15+ categories
- Categories leadership in >80% of business
- 50+ purposeful brands
- 14 brands with 10Bn+ Turnover
- 16 new brands added in the last decades



# BRANDS OF HUL

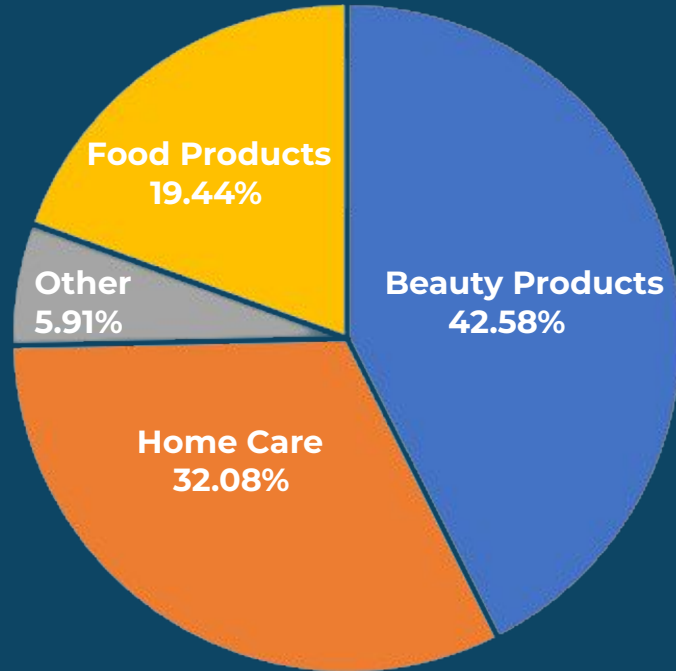


## HUL Products in our Homes





## EBIT Sector Wise



42.58%

Beauty  
Products

32.08%

Home  
Care

19.44%

Food  
Products

5.91%

Other

# SWOT ANALYSIS

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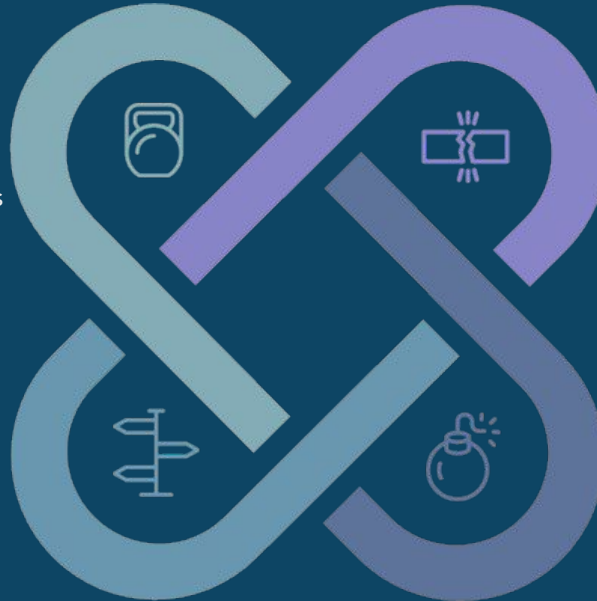
## STRENGTHS

- High Brand Visibility
- Market Leader in Consumer Goods
- Extensive and Integrated Distribution system

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## OPPORTUNITIES

- Expanding Indian Market
- Increased Income Levels in Rural India
- Increasing Awareness of Products



## WEAKNESSES

- Decreasing Market Share
- Large Number of brands in different product categories
- No ayurvedic products

W

## THREATS

- Competition from Other FMCG companies
- Price of Commodities due to Inflation

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## Shareholding Pattern

61.9%

Promoter

14.2%

FII

12.2%

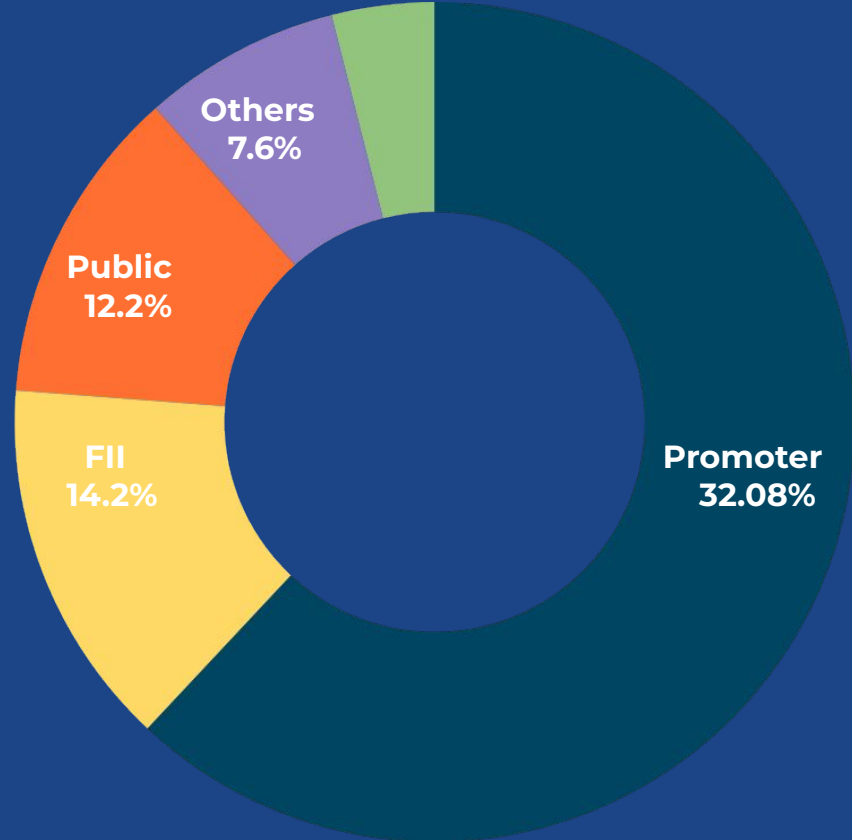
Public

7.6%

Other Institutions

3.95%

Mutual Funds



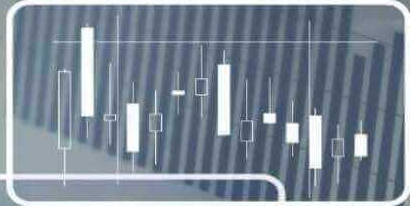
# RATIO ANALYSIS

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
ROE	18.09%	16.77%	82%	76.95%	71.61%
ROCE	20.29%	19.01%	87.58%	88.98%	82.03%
ROA	12.59%	11.62%	33.48%	32.49%	29.19%
INTEREST COVERAGE RATIO	123.73	93.69	80.43	268.64	283.19
ASSET TURNOVER RATIO	0.74	68.39	197.4	211.01	198.99
PE	54.35	71.94	74.07	60.98	55.56
EBITDA MARGIN	25	25.59	26.37	23.98	22.17
NET PROFIT MARGIN	24.99%	24.87%	25.60%	23.48%	22.17%



# Competitive Analysis

FY 2022	DABUR	BRITANNIA	NESTLE	ITC	HUL
ROE	20.75	59.6	97.2	24.4	18.09
ROCE	26.71	66.18	57.81	31.89	20.29
ROA	14.15	20.28	26.62	19.72	12.59
INTEREST COVERAGE RATIO	68.57	16.8	24.67	571.51	123.73
ASSET TURNOVER RATIO	0.84	1.78	1.97	0.76	0.74
PE	54.64	50.76	79.37	20.28	54.35
EV/EBITDA	35.96	32.79	49.31	13.55	46.82
EBITDA MARGIN	24.3	17.14	22.56	37.07	25



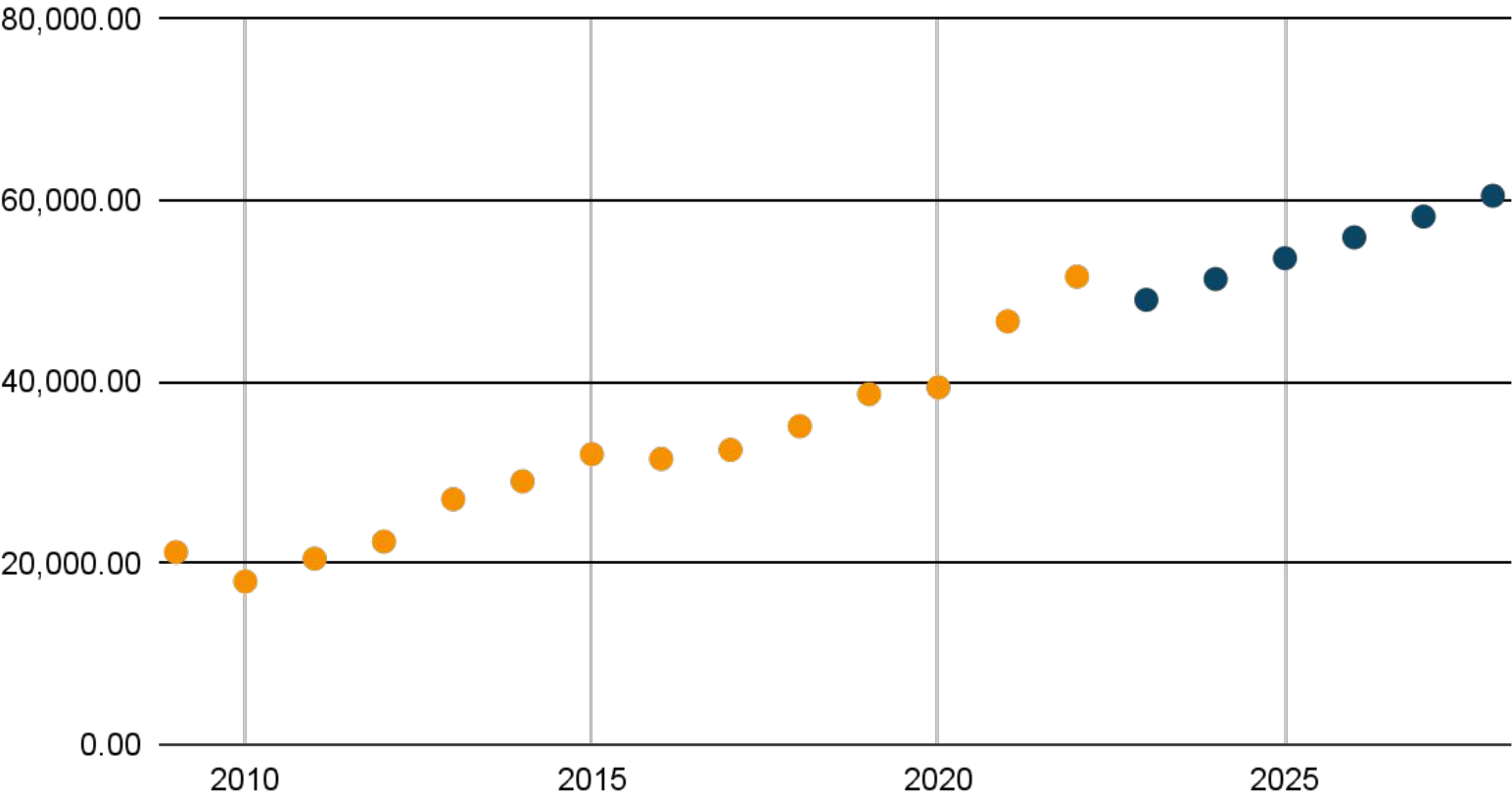
janv	\$ 31 555,00	\$ 82 710,00	\$ 1 125,00
fevr	\$ 58 032,00	\$ 43 685,00	\$ 37 128,00
mars	\$ 88 728,00	\$ 34 549,00	\$ 52 101,00
avr	\$ 27 862,00	\$ 15 001,00	\$ 7 387,00
mai	\$ 21 784,00	\$ 9 822,00	\$ 80 496,00
juin	\$ 53 225,00	\$ 30 358,00	\$ 28 905,00
juil	\$ 16 477,00	\$ 27 176,00	\$ 92 545,00
août	\$ 47 573,00	\$ 15 818,00	\$ 42 796,00
sept	\$ 41 374,00	\$ 39 268,00	\$ 11 922,00
oct	\$ 71 259,00	\$ 82 336,00	\$ 43 820,00



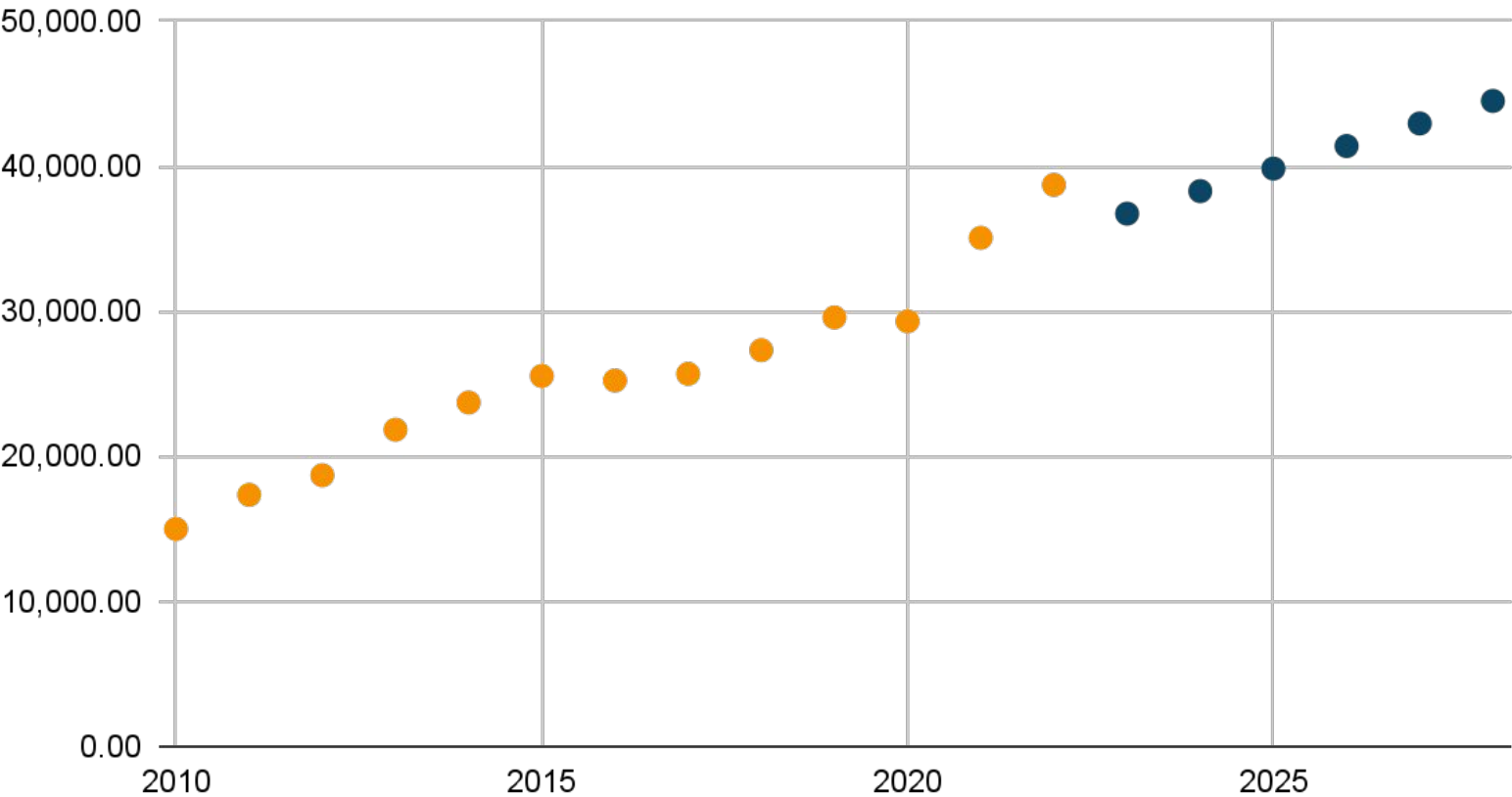
# FORECASTING



# SALES FORECAST

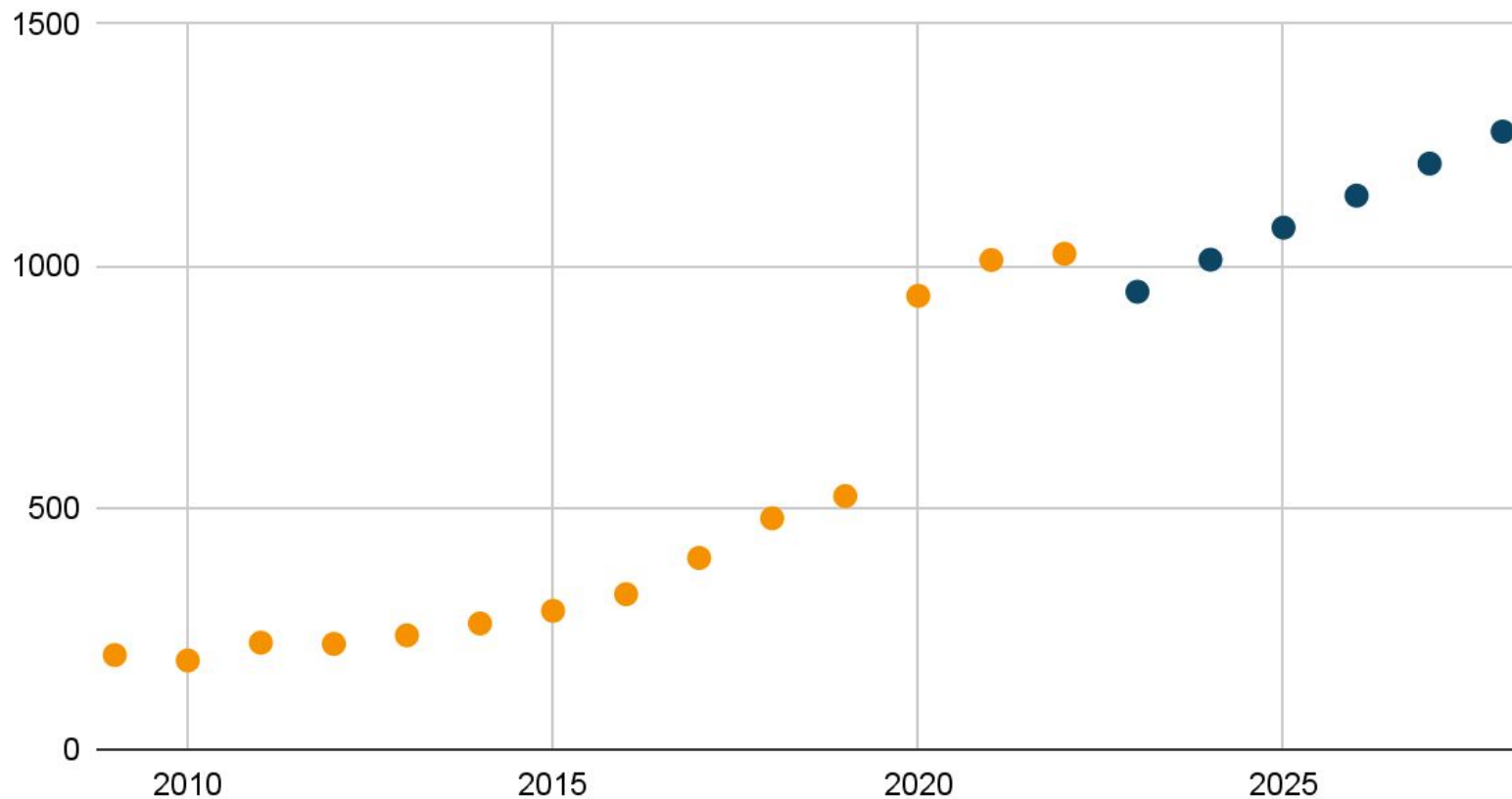


# COGS FORECAST

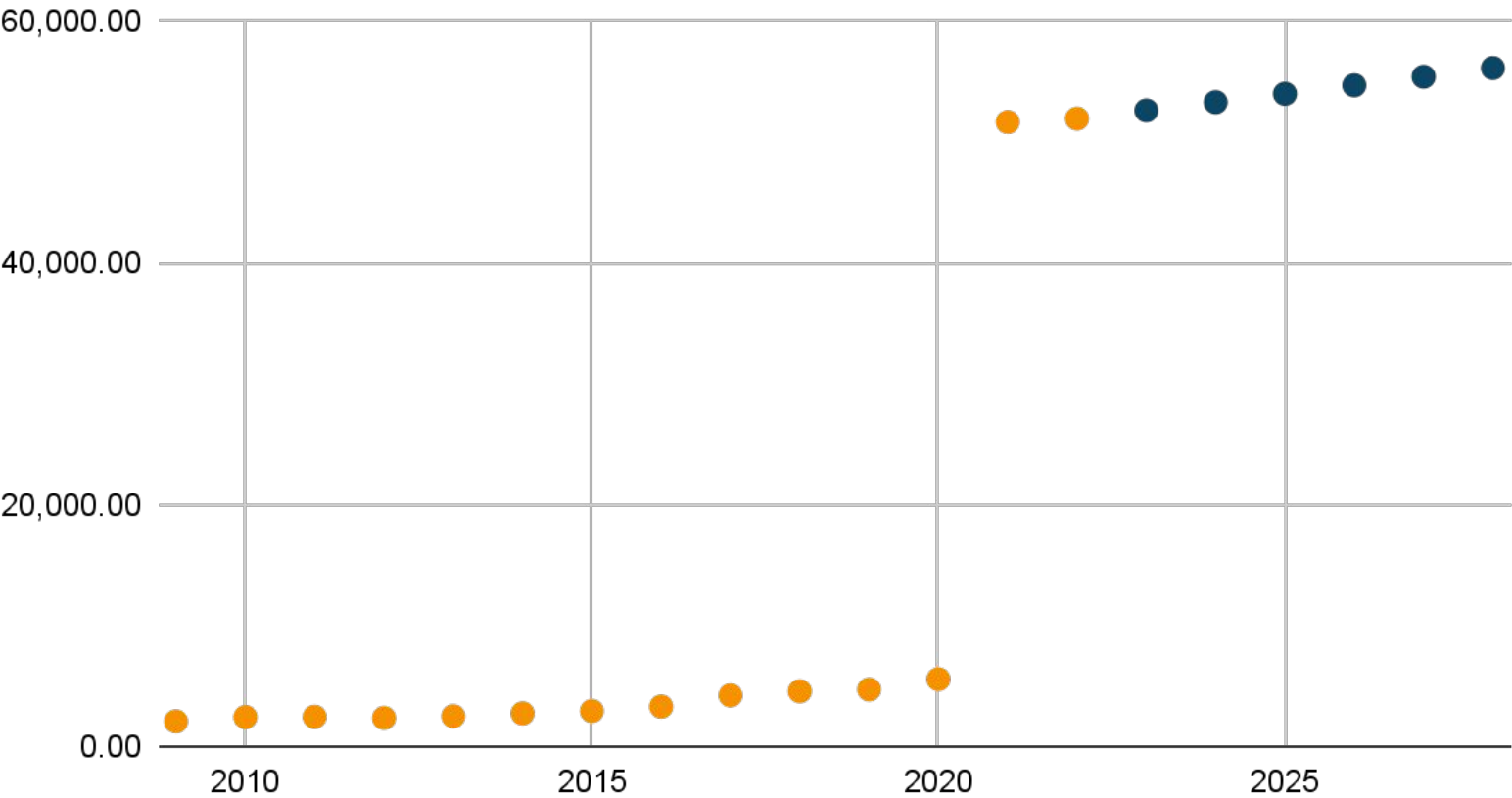




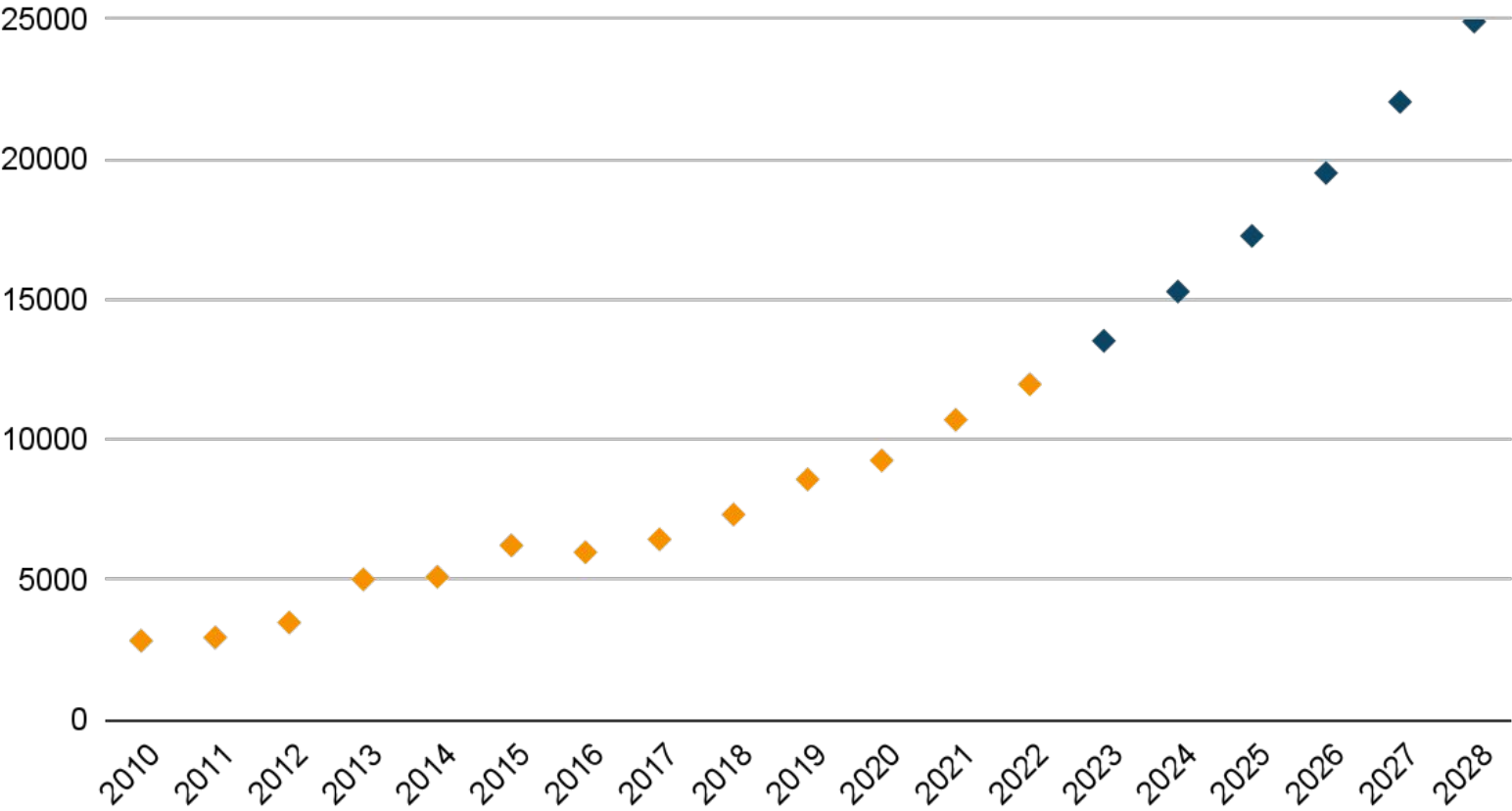
# DEPRECIATION FORECASTING



# FIXED ASSET FORECASTING



# EBIT FORECAST





# VALUATION

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# Assumptions

- 1 The debt of the company is Negligible.
- 2 We have used Linear Forecasting Method to forecast the Sales, COGS etc.
- 3 We Have Assumed tax rate to be 24%.
- 4 Beta of the stock is Assumed to be 0.68.
- 5 Market Rate of Return: Nifty FMCG 23 year CAGR.

# WACC CALCULATION

Risk free rate		31-Mar-23		5.50%
<b>Cost of debt</b>				
Risk free rate		31-Mar-23		5.50%
<b>Cost of debt</b>				
Tax rates		Marginal rate		
<b>Post tax cost of debt</b>				
<b>Cost of equity</b>				
Risk free rate		31-Mar-23		5.50%
Beta				0.68
Return of markets				12.66%
Risk free rate		31-Mar-23		5.50%
<b>Cost of equity</b>				<b>10.37%</b>
<b>Calculation of return of market (FMCG Index NSE)</b>				
Start date		31-Mar-00		2934
Valuation date		31-Mar-23		45523
Years		23		
CAGR				12.66%
<b>WACC Calculation</b>				
Kd			Wd	0
Ke	10.37%		We	100%
<b>WACC</b>				<b>10.37%</b>

# FCF VALUATION

Tax Rate	24%	Most Probable Case Scenario					
WACC	10.37%						
Terminal Growth Rate	7.50%						
		2023	2024	2025	2026	2027	2028
	0	1	2	3	4	5	6
Depreciation		946.4892308	1012.729033	1078.968835	1145.208637	1211.44844	1277.688242
EBIT		13521.58	15279.39	17265.71	19510.25	22046.58	24912.63
Tax (24%)		3245.1792	3667.0536	4143.7704	4682.46	5291.1792	5979.0312
NI		10276.4008	11612.3364	13121.9396	14827.79	16755.4008	18933.5988
Add: Depreciation		946.4892308	1012.729033	1078.968835	1145.208637	1211.44844	1277.688242
Inv FC		675.16	683.93	692.82	701.83	710.95	720.2
Inv WC		922.08	940.52	959.33	978.52	998.09	1,018.05
FCFF		9,625.65	11000.61543	12548.75844	14292.64864	16257.80924	18,473.04
Discount Factor		0.951866045	0.862437247	0.781410378	0.707996066	0.641479105	0.58121148
Present Value	82203.04522						
Terminal Value	382894.571						692100.5424
EV	465097.6162						
Shares outstanding	234.96						
Price of Share	1979.475724						

# CCF VALUATION

Tax Rate	24%		Most Probable Case Scenario					
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Terminal Growth Rate	7.50%							
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Present Value	82203.04522							
Terminal Value	382894.571						692100.5424	
EV	465097.6162							
Shares outstanding	234.96							
Price of Share	1979.475724							

# Conclusion

- The Current Price of HUL Stock is Rs 2560 (as per 31st March 2023).  
So, as per our Analysis the Stock is Overvalued.
- The Valuation of the company is Same in both the Cash Flow Analysis This is because the firm is debt free.

Scenario Analysis			
	Worst Case (6.5%)	Most Probable Case (7.5%)	Best Case (8.5%)
Intrinsic value of a Share	1547.07	1979.48	2874.52



**THANK YOU!**