



## Project Title: DCF Valuation Model for Hindustan Unilever Ltd. (HUL)

### Overview

This project involves building a comprehensive **Discounted Cash Flow (DCF) valuation model** for Hindustan Unilever Ltd. (HUL), one of India's largest FMCG companies. The objective is to estimate the intrinsic enterprise value of HUL based on projected free cash flows, a calculated WACC, and a terminal growth rate. The model helps assess whether the stock is undervalued or overvalued relative to its market price.

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### Approach & Methodology

#### 1. Historical Financial Analysis

- Cleaned and analyzed HUL's past income statements, balance sheets, and cash flow statements.
- Derived historical growth trends, margins, and reinvestment rates.

#### 2. Forecasting (FY25–FY30)

- Used **regression techniques** to forecast **Sales, EBITDA, and Net Profit** based on historical trends.
- Calculated **Free Cash Flow to Firm (FCFF)** from  $EBIT(1-T)$ , adjusting for reinvestment rates.

#### 3. WACC Estimation

- Estimated **Cost of Equity** using the **CAPM model**, incorporating peer average beta and market risk premium.
- WACC derived from capital structure assumptions:
  - **WACC = 12.24%**

#### 4. Terminal Value Calculation

- Applied the **Gordon Growth Model** with a conservative **5.38% terminal growth rate**.
- Final year FCFF extrapolated and discounted using WACC to calculate Terminal Value.

#### 5. Valuation Output

- **PV of FCFF (5 years): ₹44,248 Cr**
- **PV of Terminal Value: ₹1,02,341 Cr**
- **Enterprise Value (EV): ₹1,46,589 Cr**
- Equity value per share is compared with market price to assess valuation gap.

## 6. Benchmarking

- Used peer data for beta and capital structure comparisons.
  - Market data (e.g., share price, market cap, shares outstanding) sourced from Screener.in.
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### Key Insights

- The model outputs a calculated intrinsic value, allowing investors to evaluate whether the stock is overvalued or undervalued.
  - Designed to be **modular and reusable** for valuing other blue-chip or FMCG companies.
  - Supports decision-making by integrating **forecasting accuracy with fundamental valuation principles**.
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### Tools Used

- Microsoft Excel (Financial formulas, Regression, NPV, XIRR)
- Screener.in (Market data)
- Peer comparison & CAPM-based modeling