


<h2>Research Report</h2>	 <p><b>Spearhead FinServe</b> PRIVATE LIMITED A subsidiary of Spearhead Services Pvt Ltd</p>																		
<h3>Hindustan Unilever</h3>	<table> <tr> <td><b>Recommendation</b></td><td><b>Accumulate</b></td></tr> <tr> <td><b>Current Market Price</b></td><td><b>938</b></td></tr> <tr> <td><b>Target</b></td><td><b>989</b></td></tr> <tr> <td><b>Accumulation Price Band</b></td><td><b>935-950</b></td></tr> <tr> <td><b>Time Frame</b></td><td><b>6 months</b></td></tr> <tr> <td><b>Derivative Segment</b></td><td><b>Yes</b></td></tr> </table>	<b>Recommendation</b>	<b>Accumulate</b>	<b>Current Market Price</b>	<b>938</b>	<b>Target</b>	<b>989</b>	<b>Accumulation Price Band</b>	<b>935-950</b>	<b>Time Frame</b>	<b>6 months</b>	<b>Derivative Segment</b>	<b>Yes</b>						
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<h3>Company Overview</h3> <p>» Incorporated in the year 1931, Hindustan Unilever is the largest consumer products manufacturer by revenue in India, with about Rs. 29,066 Cr in annual sales.</p> <p>» HUL operates with a broad portfolio of home care (47% of consolidated sales), personal care (28%), beverages (11%), packaged food (6%), and other products (8%)</p> <p>» HUL has launched new brands like TRESemme from its global portfolio which enhances its pricing power and margins .</p> <p>» Nineteen of HUL's brands drive over INR 5 billion in sales every year which would make it costly for competitors to replicate</p>	<table> <tr> <td colspan="2"><b>Financials</b></td></tr> <tr> <td>EPS ( Rs )</td><td>18.29</td></tr> <tr> <td>Book Value ( Rs )</td><td>16.36</td></tr> <tr> <td>P/E</td><td>51.28</td></tr> <tr> <td>P/BV</td><td>57.33</td></tr> <tr> <td>ROE</td><td>111.54</td></tr> <tr> <td>ROCE ( % )</td><td>147.56</td></tr> <tr> <td>Dividend Yield ( % )</td><td>1.38</td></tr> <tr> <td>Debt - Equity</td><td>0.10</td></tr> </table>	<b>Financials</b>		EPS ( Rs )	18.29	Book Value ( Rs )	16.36	P/E	51.28	P/BV	57.33	ROE	111.54	ROCE ( % )	147.56	Dividend Yield ( % )	1.38	Debt - Equity	0.10
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<h3>Industry Overview</h3> <p>» The Overall FMCG market expected to increase at a CAGR of 14.7 per cent to USD110.4 billion during 2012–20, with the rural FMCG market expected to increase at a CAGR of 17.7 per cent to USD100 billion during 2012–25.</p> <p>» As the fourth largest economy, the Indian FMCG sector is expected to reach US\$ 135 billion by 2020, with its total consumption expenditure to reach nearly USD 3,600 billion by 2020 from USD 1,328 billion in 2012.</p> <p>» Government's move towards relaxation of license rules and approval of 51 per cent foreign direct investment (FDI) in multi brand and 100 per cent in single-brand retail are likely to act major drivers of growth of the industry.</p> <p>» With demand for FMCG seen growing from the rural markets accompanied by the expansion in per capita income projected at a CAGR of 7.4 per cent over the period 2013-19, the industry is witnessing a lot of scope of growth.</p>	<table> <tr> <td colspan="2"><b>Highlights</b></td></tr> <tr> <td>Debt ( Rs Cr )</td><td>45.58</td></tr> <tr> <td>Reserves ( Rs Crs )</td><td>3,321.02</td></tr> <tr> <td>FII Holdings ( % )</td><td>15.11</td></tr> <tr> <td>MF Holdings ( % )</td><td>0.20</td></tr> <tr> <td>Free Float Market Capitalization ( Rs Cr )</td><td>64,908.40</td></tr> <tr> <td>Beta</td><td>0.50</td></tr> <tr> <td>Volume Per day ( no. of shares )</td><td>159,829</td></tr> <tr> <td>Weekly Average ( no. of shares )</td><td>132,046</td></tr> </table>	<b>Highlights</b>		Debt ( Rs Cr )	45.58	Reserves ( Rs Crs )	3,321.02	FII Holdings ( % )	15.11	MF Holdings ( % )	0.20	Free Float Market Capitalization ( Rs Cr )	64,908.40	Beta	0.50	Volume Per day ( no. of shares )	159,829	Weekly Average ( no. of shares )	132,046
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<h3>Key Highlights</h3> <p>» HUL is doing 360 degree innovation in advertising to increase customer engagement.</p> <p>» The Soaps &amp; Detergents portfolio has seen 5% price cut more so towards the mass brands as competition from small scale sector and ad intensity is rising</p>																			
<h3>Key Risks</h3> <p>» Strong competition from global behemoths Procter &amp; Gamble, as well as local players like Godrej Consumer and Marico</p> <p>» High Input cost that might result in any inability to pass on the cost burden will impact its margins</p> <p>» HUL will have to constantly invest in advertising and innovation to keep its brands top of mind with consumers due to low switching cost</p>																			

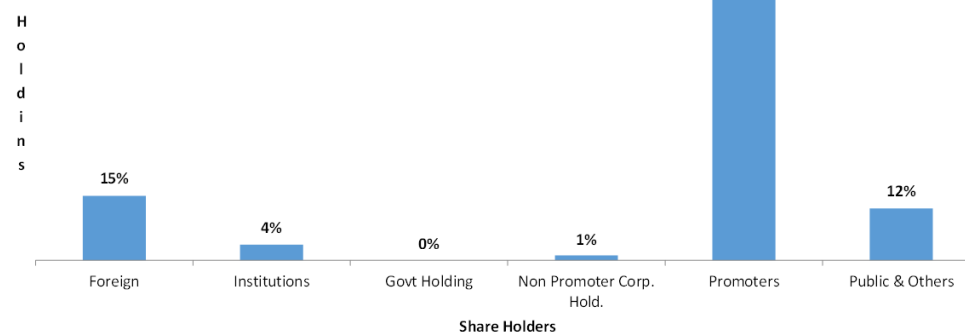
## Financial Highlights

Income Statement ( Annual )					
Particulars ( Rs. Cr )	2014	2013	2012	2011	2010
Net Sales	29,066.10	26,881.24	23,311.35	19,908.57	17,935.40
<b>Operating Profit</b>	<b>4,574.50</b>	<b>4,082.57</b>	<b>3,358.58</b>	<b>2,597.23</b>	<b>2,751.27</b>
<b>Operating Profit Margin</b>	<b>15.74</b>	<b>15.19</b>	<b>14.41</b>	<b>13.05</b>	<b>15.34</b>
Depreciation	295.54	251.32	233.54	229.29	191.94
Interest	40.68	25.72	1.65	1.01	7.47
Other Income	976.9	1,260.50	498.29	589.98	228.02
PBT	5,215.18	5,066.03	3,621.68	2,956.91	2,779.88
<b>APAT</b>	<b>3,955.74</b>	<b>3,839.37</b>	<b>2,800.14</b>	<b>2,306.63</b>	<b>2,164.61</b>
<b>PAT Margin ( % )</b>	<b>13.61</b>	<b>14.28</b>	<b>12.01</b>	<b>11.59</b>	<b>12.07</b>
Earnings Per Share	<b>18.29</b>	<b>17.75</b>	<b>12.95</b>	<b>10.68</b>	<b>9.92</b>

Balance Sheet					
Particulars ( Rs. Cr )	2014	2013	2012	2011	2010
Equity Share Capital	216.27	216.25	216.15	215.95	218.17
Reserves and Surplus	3,321.02	2,648.52	3,464.93	2,519.00	2,450.09
<b>Net Worth</b>	<b>3,537.29</b>	<b>2,864.77</b>	<b>3,681.08</b>	<b>2,734.95</b>	<b>2,668.26</b>
Deferred Tax Liability :	-	-	-	-	-
Long Term Debt	8.44	24.74	0	0	10.49
ShortTerm Debt	37.14	0	0	0	0.35
<b>Total Debt</b>	<b>45.58</b>	<b>24.74</b>	<b>0</b>	<b>0</b>	<b>10.84</b>
Current Liabilities	7,191.63	6,482.97	5,739.90	5,864.81	5,520.81
Total Provisions	2,972.53	2,698.50	1,967.97	1,733.48	1,450.78
<b>Total Liabilities</b>	<b>3,605.15</b>	<b>2,910.37</b>	<b>3,699.38</b>	<b>2,749.53</b>	<b>2,741.28</b>
Gross Block	4,804.44	4,157.96	3,819.31	3,631.51	3,636.37
Net Fixed Assets	<b>2,746.24</b>	<b>2,431.43</b>	<b>2,262.86</b>	<b>2,223.45</b>	<b>2,182.82</b>
<b>Investments</b>	<b>2,838.14</b>	<b>2,252.34</b>	<b>2,322.16</b>	<b>1,188.50</b>	<b>1,224.42</b>
<b>Current Assets</b>	<b>6,486.95</b>	<b>5,603.21</b>	<b>5,520.54</b>	<b>5,614.66</b>	<b>3,155.93</b>
Deferred Tax Asset :	-	-	-	-	-
Receivables	1,031.09	996.53	856.74	963.29	687.76
Inventories	2,939.83	2,705.97	2,667.37	2,875.69	2,209.41
Cash	2,516.03	1,900.71	1,996.43	1,775.68	258.76
<b>Total Assets</b>	<b>3,605.15</b>	<b>2,910.37</b>	<b>3,699.38</b>	<b>2,749.53</b>	<b>2,741.28</b>

Income Statement ( Quarterly )								
Particulars ( Rs. Cr )	2014				2013			2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Sales	7,774.32	7,639.33	7,716.34	7,094.10	7,223.35	6,892.64	6,809.04	6,465.81
<b>Operating Profit</b>	<b>1,331.50</b>	<b>1,242.02</b>	<b>1,316.54</b>	<b>1,077.55</b>	<b>1,226.80</b>	<b>1,085.31</b>	<b>1,085.60</b>	<b>971.77</b>
<b>Operating Profit Margin</b>	<b>17.13</b>	<b>16.26</b>	<b>17.06</b>	<b>15.19</b>	<b>16.98</b>	<b>15.75</b>	<b>15.94</b>	<b>15.03</b>
Depreciation	73.08	76.37	66.72	65.77	64.42	63.92	66.44	61.42
Interest	4.24	6.33	6.25	5.33	18.2	6.28	6.22	6.01
Other Income	120.07	197.8	202.11	150.63	142.66	150.99	176.75	105.83
PBT	1,770.83	1,405.80	1,485.32	1,223.11	1,309.81	1,199.53	1,295.94	1,019.58
<b>APAT</b>	<b>1,252.17</b>	<b>988.16</b>	<b>1,056.85</b>	<b>872.13</b>	<b>1,062.31</b>	<b>913.8</b>	<b>1,019.25</b>	<b>787.2</b>
<b>PAT Margin ( % )</b>	<b>16.11</b>	<b>12.94</b>	<b>13.70</b>	<b>12.29</b>	<b>14.71</b>	<b>13.26</b>	<b>14.97</b>	<b>12.17</b>
Earnings Per Share	5.79	4.57	4.89	4.03	4.91	4.23	4.71	3.64

## Share Holding Pattern

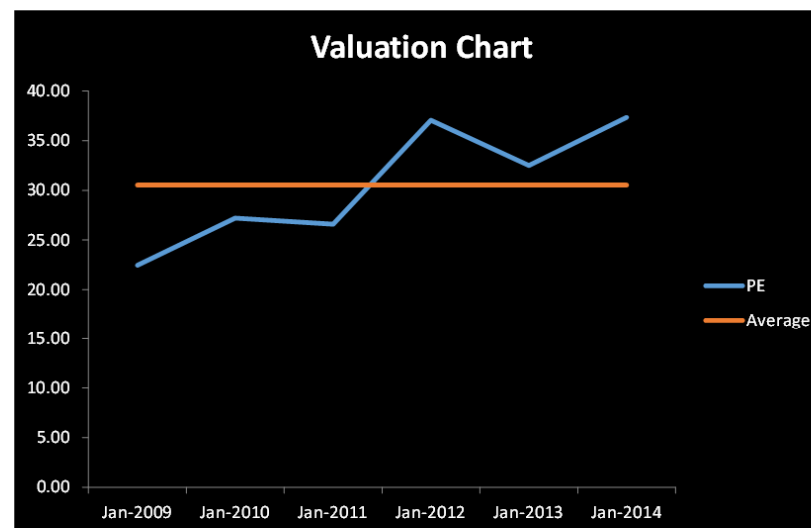
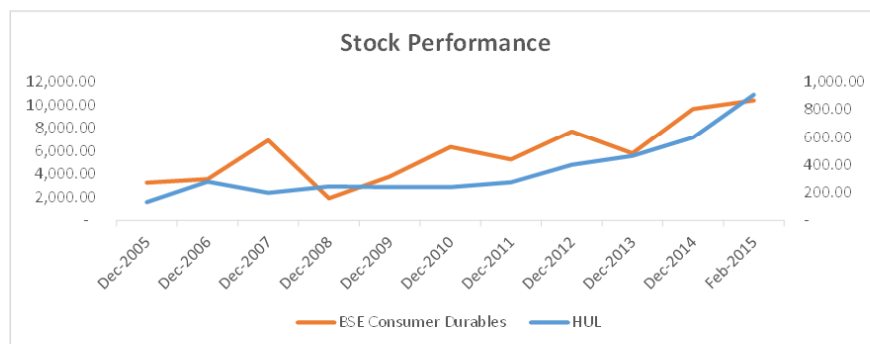


Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	29,066.10	26,881.24	23,311.35	19,908.57	17,935.40
EBITDA Margins	%	15.74	15.19	14.41	13.05	15.34
PAT	Crs	3,955.74	3,839.37	2,800.14	2,306.63	2,164.61
PAT Margins	%	13.61	14.28	12.01	11.59	12.07
Revenue Growth	%	8.13	15.31	17.09	11.00	(22.67)
EBITDA Growth	%	12.05	21.56	29.31	(5.60)	(8.10)
PAT Growth	%	3.03	37.11	21.40	6.56	(13.76)
Gearing	times	0.1	0.1	-	-	-
ROCE	%	140.03	155.25	95.34	100.07	101.36
ROE	%	111.54	133.65	75.81	83.95	80.82

Peer Comparison				
Particulars	Units	HUL	Marico	Dabur
Revenue	Rs Cr	29,066.10	4,686.52	7,094.43
EBITDA Margins	%	15.74	15.96	16.30
PAT	Rs Cr	3,955.74	504.10	916.45
PAT Margins	%	13.61	10.76	12.92
Gearing	%	0.10	0.21	0.27
EPS	Rs / Share	40.84	7.82	5.26
PE	times	51.28	50.77	50.50
P/BV	times	57.33	18.82	17.44
ROCE	%	140.03	38.64	45.27
ROE	%	111.54	35.67	35.33
EV/EBITDA	times	44.28	34.63	40.88

#### Stock Performance vis-a-vis Index

Particulars	Return(%)	
	YTD	QTD
HUL	24%	24%
BSE Consumer Durables	6%	6%



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