

## Hindustan Unilever Limited

CMP Rs. 237.65  
Accumulate

June 08  
Result Update

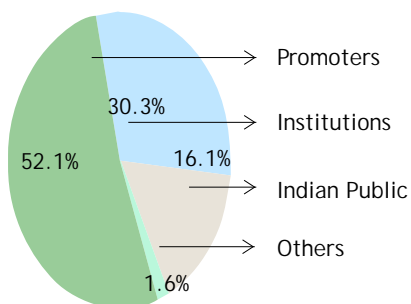
### Stock Data

Bloomberg : HUVR.IN  
Reuters : HLL.BO  
BSE Code : 500696  
NSE Code : HINDUNILVR  
BSE Group : A

### Stock Codes

Benchmark : Sensex/BSEFMC  
52 W High : 256.0  
52 W Low : 170.0  
Mkt Cap : Rs. 517,474 Mn  
Face Value : Rs. 1.0

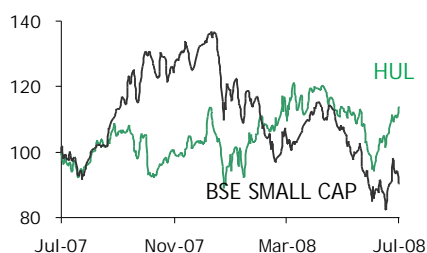
### Shareholding Pattern (as on June 08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
HUL	15.24	-25.59	-30.49
Sensex	2.45	-20.22	-22.34

### Price Comparison



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### Results Highlights

- Sales higher by 21% (Y-Y) at Rs. 4215.67 Crs.
- PBIDT higher at Rs. 635.3 crores; up ~ 31% (Q-Q)
- PBT increases by 16% (Y-Y) to Rs. 669.5 Crs.
- PAT (excl. extraordinary items) up by 14.46% to Rs. 540.14 Crs in June 08 from Rs. 471.91 crs in June 07
- EPS is higher at Rs. 2.5 in June 08 as compared to Re.1.7 during March 08.
- Interim dividend of Rs 3.50 per share.

These results depict a performance which meets expectations. The growth in sales is backed by strong growth in FMCG business. FMCG business has grown by 19% (Y-Y) and 11%(Q-Q).

HPC business grew at 20% with strong growth in all categories. New launches during the quarter were Lux Strawberry & Cream, Clinic plus multi sachet, Ponds Age Miracle - range extension, Axe Shock & Recover and Wheel Active Green. Foods business grew by 14% (Y-Y). Tea and Coffee are the core business of the company. Kissan 'Amaze' is being test marketed in 3 Southern states. Icecream had a good quarter driven by growth in Takehome and Impulse segment and a new range, Paddle Pop was launched. Water business is now national, with Pureit brand now extended to 364 towns across 20 states.

### Segmental Revenue

Net Sales	Jun-08	Mar-08	Jun-07	% contribution to sales	Q-Q(%)	Y-Y(%)
Domestic FMCG HPC	30,445.30	27,117.20	25,412.60	72.22%	12.27%	19.80%
Others	1,462.40	736.6	518	3.47%	98.53%	182.32%
Export Income	3,915.10	3,973.20	3,331.00	9.29%	-1.46%	17.54%
Domestic FMCG Foods	6,333.90	6,112.40	5,552.40	15.02%	3.62%	14.07%
Net Sales	42,156.70	37,939.40	34,814.00	100.00%		

Note: Change of Financial Year: HUL has informed BSE that the Board of Directors of the Company at its meeting held on April 28, 2008, inter alia, has approved a change in the Accounting year of the Company to commence from 1st April of every year and to end on 31st March of the following year. Consequently, as a transitional arrangement the next Annual Accounts and Report of the Company will be for a period of 15 months commencing January 01, 2008 and ending March 31, 2009.

About Hindustan Unilever  
Limited

HUL, the largest FMCG company in India, was formed by merging three subsidiaries of Unilever in 1956. At present, Unilever Plc holds a 52.1% stake in the company. Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company, touching the lives of two out of three Indians. HUL is a play on consumption growth in India. HUL's portfolio of products covers a wide spectrum including soaps, detergents, skin creams, shampoos, toothpastes, tea, coffee, and branded atta.

Risks

Vegetable oil is a key raw material of the company. Thus a rise in prices could affect the operating margins of the company.

Further risks arise from down trending by consumers in response to recent price hikes, which could hurt the company's topline.

The company seems to be in a business of "Needed to run, to keep still". The advertising spends have to be maintained on a quarter to quarter basis. For the current quarter, advertising and promotion spends are 10.4% for the turnover.

Our take

While we are impressed by HUL's topline growth but the difficulty to replicate the same in the bottom-line makes us cautious on raw material prices, tough competition and the challenges posed by other top FMCG companies. However, the recent correction in the crude price is comforting on the input price & margins expectations. The company is currently trading at 27x. This compared to the FMCG BSE index PE of 25.48 seems marginally overpriced and can be accumulated.

## HUL : Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Jun 08	Mar 08	Q-Q(%)	Jun 07	Y-Y(%)
Net Revenues	42,156.7	37,939.4	11.12%	34,814.0	21.09%
Cost of Materials	16,089.8	16,918.5	-4.90%	13,091.8	22.90%
Gross Profit	26,066.9	21,020.9	24.00%	21,722.2	20.00%
Staff Costs	2,539.1	2,135.2	18.92%	2,027.6	25.23%
Other Expenses	18,012.9	14,807.4	21.65%	14,575.1	23.59%
Total Expenditure	20,552.0	16,942.6	21.30%	16,602.7	23.79%
Operating Profit	5,514.9	4,078.3	35.23%	5,119.5	7.72%
OPM (%)	13.08%	10.75%	21.70%	14.71%	-11.04%
Other Income	838.9	773.0	8.53%	1,063.2	-21.10%
EBITDA	6,353.8	4,851.3	30.97%	6,182.7	2.77%
Depreciation	379.2	363.0	4.46%	332.9	13.91%
EBIT	5,974.6	4,488.3	33.11%	5,849.8	2.13%
Interest	(720.6)	(200.8)	258.86%	110.4	-752.72%
PBT	6,695.2	4,689.1	42.78%	5,739.4	16.65%
Tax	1,293.8	904.8	42.99%	1,020.3	26.81%
PAT	5,401.4	3,784.3	42.73%	4,719.1	14.46%
Equity Capital	2,178.3	2,178.0	0.01%	2,207.0	-1.30%
EPS	2.5	1.7	42.71%	2.1	15.97%
Ratio Analysis					
Profitability					
YE March (Rs. Mn.)	Jun 08	Mar 08	Q-Q(bps)	Jun 07	Y-Y(bps)
OPM (%)	13.08%	10.75%	21.70%	14.71%	-11.04%
EBITDA (%)	15.07%	12.79%	17.87%	17.76%	-15.13%
EBIT (%)	14.17%	11.83%	19.80%	16.80%	-15.66%
PAT (%)	12.81%	9.97%	28.45%	13.56%	-5.48%
Operational Parameters					
YE March (Rs. Mn.)	Jun 08	Mar 08	Q-Q(bps)	Jun 07	Y-Y(bps)
RM Consumed	38.17%	44.59%	-14.41%	37.60%	1.49%
Staff Cost	6.02%	5.63%	7.02%	5.82%	3.42%
Other Expenditure	42.73%	39.03%	9.48%	41.87%	2.06%

## HUL : Financials

Earnings Statement					Balance Sheet				
Particulars (Rs Mn)	CY04	CY05	CY06	CY07	Particulars (Rs Mn)	CY04	CY05	CY06	CY07
Total Revenues	99,269.5	110,605.5	121,033.9	137,177.5	Equity Capital	2,201.2	2,201.2	2,206.8	2,177.5
- Growth (%)		11.4%	9.4%	13.3%	Reserves	18,725.9	20,855.0	25,028.1	12,214.9
Total Expenditure	84,895.8	96,172.2	104,553.2	118,320.5	Shareholders Funds	20,927.1	23,056.3	27,234.8	14,392.3
Operating Profit	14,373.7	14,433.3	16,480.6	18,857.0	Borrowed Funds	14,711.1	569.4	726.0	885.3
Other Income	3,188.3	3,047.9	3,545.1	4,626.8	Deferred Tax Liability				
EBITDA	17,562.0	17,481.2	20,025.8	23,483.8	Total Liabilities	35,638.2	23,625.7	27,960.9	15,277.6
Depreciation	1,209.0	1,244.5	1,301.6	1,383.6	Fixed Assets	15,175.6	14,835.3	15,110.1	17,081.4
EBIT	16,353.0	16,236.6	18,724.1	22,100.2	Deferred Tax Assets	2,260.0	2,201.4	2,245.5	2,123.9
Interest	1,299.8	191.9	107.3	255.0	Investments	22,295.6	20,142.0	24,139.3	14,408.1
PBT	15,053.2	16,044.7	18,616.8	21,845.3	Current Assets				
Tax	3,060.4	2,499.6	3,220.1	4,154.7	Inventory	14,704.4	13,217.7	15,477.1	19,536.0
PAT Before EI	11,992.8	13,545.1	15,396.7	17,690.6	Sundry Debtors	4,892.7	5,228.3	4,403.7	4,433.7
- Growth (%)		12.9%	13.7%	14.9%	Loans & Advances	5,944.2	5,394.7	7,429.0	6,671.8
Extra-ordinary Items	(19.3)	536.0	3,157.0	1,564.1	Cash & Bank Balance	6,980.5	3,550.3	4,169.4	2,008.6
Reported PAT	11,973.4	14,081.0	18,553.7	19,254.7	Other Current Assets	527.8	238.9	217.3	123.9
					Current Liabilities				
					Sundry Creditors	25,907.9	29,594.3	32,016.4	38,370.9
					Provisions	11,234.6	11,588.7	13,214.2	12,739.0
					Net Current Assets	(4,093.0)	(13,553.1)	(13,534.0)	(18,335.7)
					Total Assets	35,638.2	23,625.7	27,960.8	15,277.6
Ratio Analysis					Cash Flow				
Particulars	CY04	CY05	CY06	CY07	Particulars (Rs Mn)	CY04	CY05	CY06	CY07
OPM (%)	14.5%	13.0%	13.6%	13.7%	Opening Cash & Bank	8,064.8	6,980.5	3,550.3	4,169.4
EBITDA (%)	17.7%	15.8%	16.5%	17.1%	Profit After Tax	11,992.8	13,545.1	15,396.7	17,690.6
PBIT (%)	16.5%	14.7%	15.5%	16.1%	Invnt Income	(3,188.3)	(3,047.9)	(3,545.1)	(4,626.8)
PAT (%)	12.1%	12.2%	12.7%	12.9%	Interest Paid	1,299.8	191.9	107.3	255.0
Interest Cover (x)	12.6	84.6	174.4	86.7	Depreciation	1,209.0	1,244.5	1,301.6	1,383.6
EPS (Rs.)	5.4	6.4	8.4	8.8	Deferred Taxation	547.4	410.0	268.0	389.3
P/E (x)	43.7	37.2	28.3	26.9	Others	(3,052.2)	575.9	2,666.0	(1,830.1)
P/BV (x)	6.2	5.7	4.8	36.0	Change in Working Cap	1,489.3	6,029.9	600.1	2,640.9
BVPS (Rs.)	38.0	41.9	49.4	6.6	CF - Op. Activities	10,297.7	18,949.5	16,794.6	15,902.4
Mkt Cap (Rs. Mn.)	130,781.4	130,781.4	131,110.1	517,474.1	Change in Fixed Assets	(1,930.8)	(645.0)	(998.1)	(2,817.7)
M Cap/Sales (x)	1.3	1.2	1.1	3.8	Change in Investments	3,453.7	2,153.6	(3,997.3)	9,731.2
EV (Rs. Mn.)	116,216.4	107,658.5	103,527.4	501,942.7	Investment Income	3,188.3	3,047.9	3,545.1	4,626.8
EV/EBITDA (x)	6.6	6.2	5.2	21.4	CF - Investing Activities	4,711.2	4,556.5	(1,450.2)	11,540.4
EV/Sales (x)	1.2	1.0	0.9	3.7	Increase in Equity	0.0	0.0	339.2	(6,191.7)
ROCE (%)	45.9%	68.7%	67.0%	144.7%	Changes in Borrowings	(2,331.9)	(14,141.7)	156.6	159.3
RONW (%)	57.3%	58.7%	56.5%	122.9%	Interest Paid	(1,299.8)	(191.9)	(107.3)	(255.0)
Debt/Equity Ratio (x)	0.7	0.0	0.0	0.1	Dividend Paid	(12,461.5)	(12,602.5)	(15,113.7)	(23,316.2)
Inventory T/o Days	54.1	43.6	46.7	52.0	CF - Fin.Activities	(16,093.3)	(26,936.1)	(14,725.2)	(29,603.6)
Debtors T/o Days	18.0	17.3	13.3	11.8	Net Change in Cash	(1,084.3)	(3,430.2)	619.1	(2,160.8)
Advances T/o Days	21.9	17.8	22.4	17.8	Closing Cash & Bank Bal	6,980.5	3,550.3	4,169.4	2,008.6
Creditors T/o Days	95.3	97.7	96.6	102.1					
Working Cap T/o Days	(15.0)	(44.7)	(40.8)	(48.8)					
Fixed Assets T/o (Gross)	4.3	4.7	4.9	5.1					
DPS (Rs.)	20.0	20.0	24.0	9.1					
Dividend Payout (%)	367.7%	312.7%	285.8%	102.6%					
Dividend Yield (%)	8.4%	8.4%	10.1%	3.8%					

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