

HINDUSTAN UNILEVER LTD

11-Apr-16

Result Update

CMP	851
Target Price	935
Previous Target Price	910
Upside	9.9%
Change from Previous	3%

Market Data

BSE Code	500696
NSE Symbol	HINDUNILVR
52wk Range H/L	951/766
Mkt Capital (Rs Cr)	60,725
Av. Volume	712487
Nifty	7550

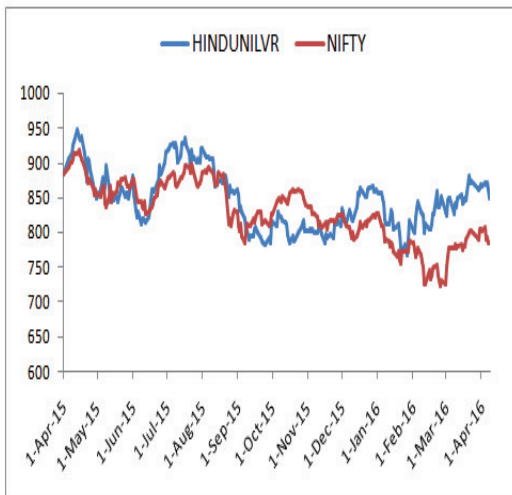
Stock Performance

	1Month	3 Month	1Year
Absolute	1%	5%	-4%
Rel.to Nifty	1%	5%	7%

Share Holding Pattern-%

	3QFY16	2QFY16	1QFY16
Promoters	67.2	67.2	67.2
Public	32.8	32.8	32.8
Others	-	-	-
Total	100.0	100.0	100.0

Company Vs NIFTY



According to the Indian metrological department and other private forecasters, this year Indian monsoon is expected to be normal followed by two consecutive years of below normal monsoon. This would result in an improvement in the agriculture production for 2016. Further central government has introduced higher allocation towards rural infrastructure schemes and rural employment scheme to improve the rural economy. We believe that Hindustan Unilever would be key beneficiary if any demand uptick happens as the company's 50% domestic revenue comes from rural and semi rural areas. Volume of the company will also get boosted if the government implements seventh pay commission.

The company's volume in 9MFY2016 stood at 6% versus 4.5% in 9MFY2015. Higher volume was led by price cut/discounts in relevant key products and higher advertisement spends. We believe that with the several measurements taken by government and expected normal monsoon will be key trigger for the company to boost the volume. The company's volume is expected to improve 6-8% from current level of 4-6% in medium term. We have Buy rating on the stock with price target of Rs. 935/share.

Quarterly Performance

In previous quarter, the company's revenue, EBITDA and profit grew by 3.2%, 4.4% and 4.2% to Rs. 78.2 bn, Rs. 14.2 bn and Rs.10.2 bn respectively. The company reported a volume growth of 6% YoY in Q3FY2016 and stable at QoQ basis (stood at 7%). Despite of price cut gross margin was up by 293 bps YoY to 52.2% due to softening of input prices. However, OPM was up only 21 bps YoY to 18.3% due to 16% increase in A&P to 14.5% of sales.

Segment wise business details

Soaps & detergents: Driven by higher promotions, strong volume growth was witnessed in key soap brands (Dove, Pears, Lifebuoy and liquids) and premium detergent brands (Surf and Rin). However, price cuts curtailed sales growth to 0.8% YoY. Despite soft input cost, EBIT margin stood flat YoY at 14%

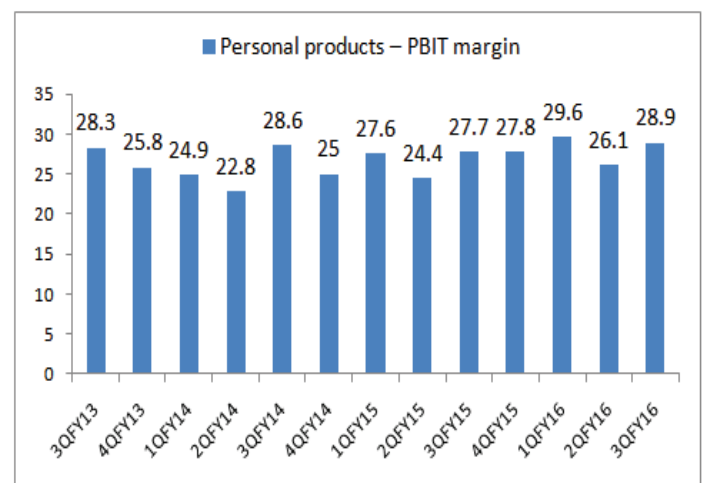
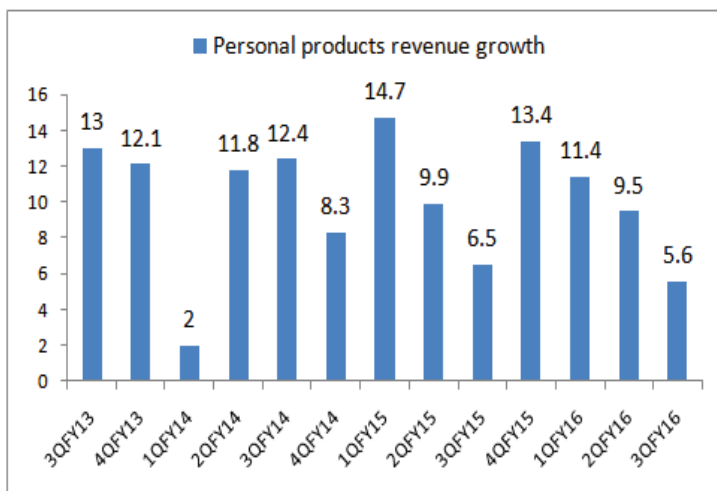
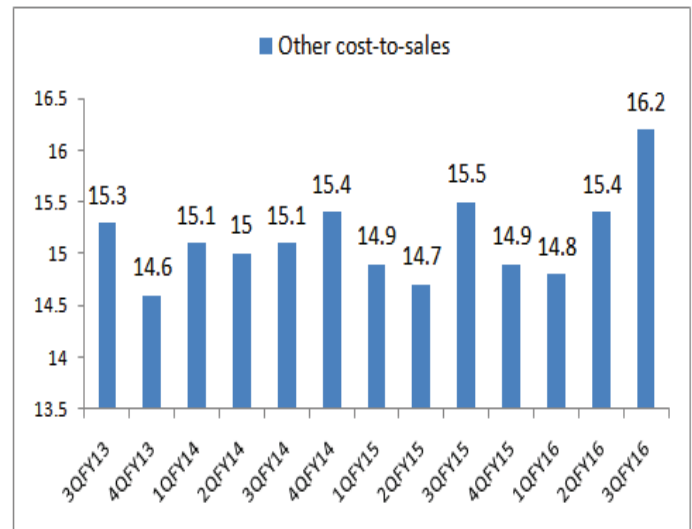
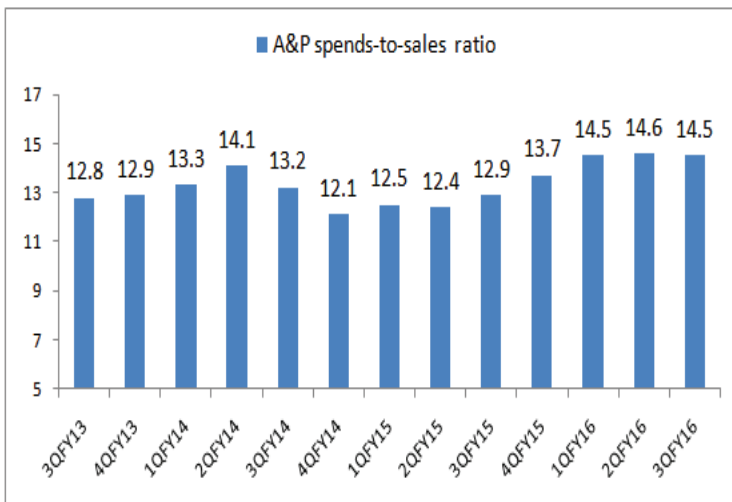
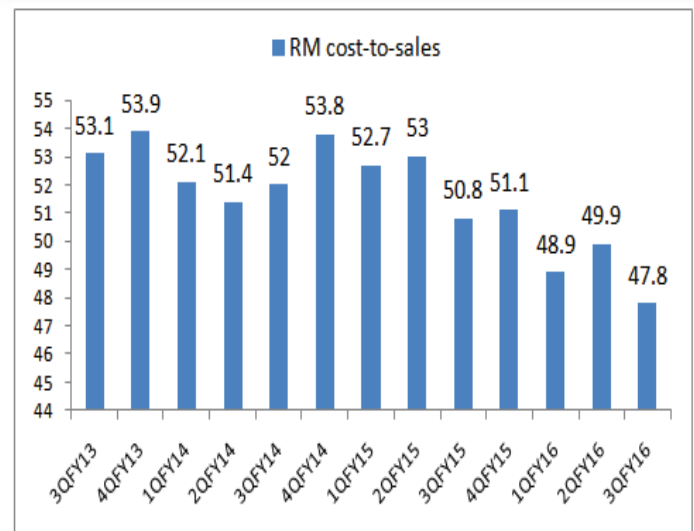
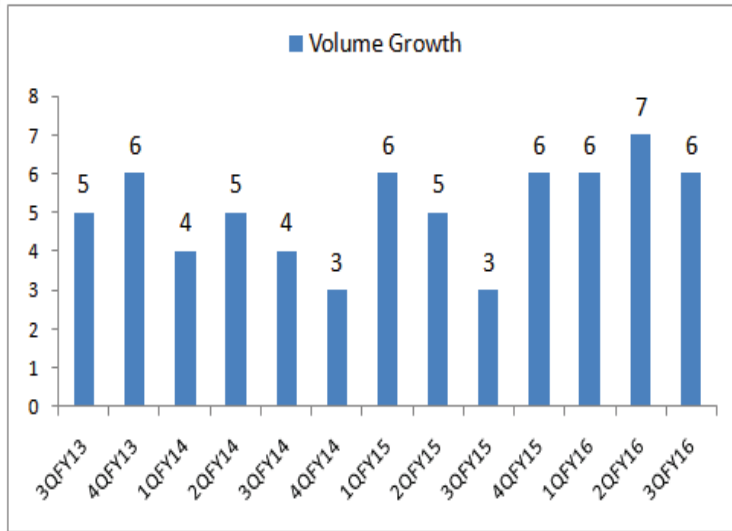
Personal Products: Due to delayed winter and one-time realignment of channel spends (to continue in Q4 as well) drag revenue growth to 5.6% YoY but EBIT margin at 28.9% was up 112 bps YoY. Healthy growth registered in skin care and hair care. Subdued performance in Pepsodent lowered growth in Oral care.

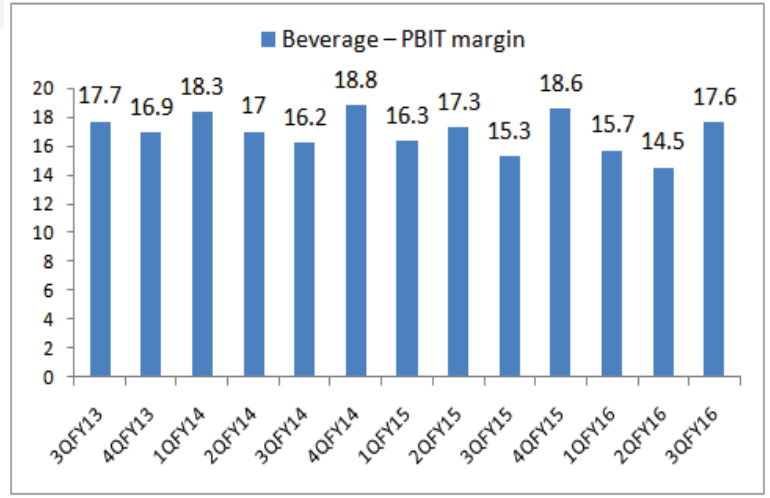
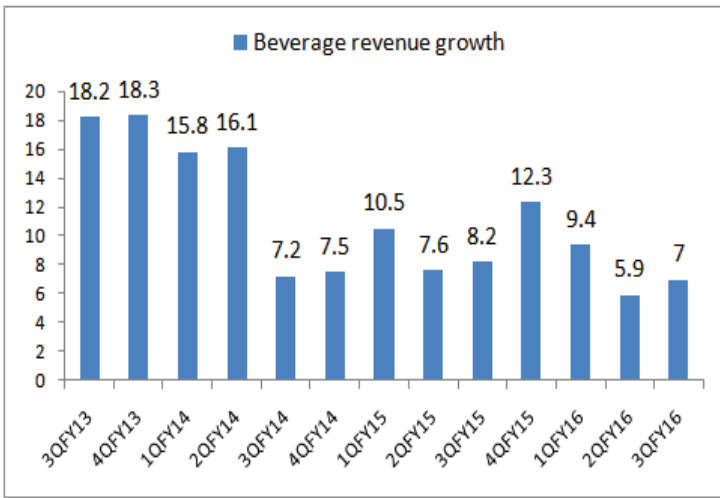
Rural growth decelerates but urban inline: While rural growth decelerated, management believes it has bottomed out. Increased investments in the form of 7th pay commission and DBT to aid recovery in 2016

Financials	FY12	FY13	FY14	FY15	FY16E
Sales	23436	27004	29234	31972	33109
EBITDA	3484	4205	4746	5414	5887
Net Profit	2791	3829	3946	4363	4111
EBITDA%	14.9%	15.6%	16.2%	16.9%	17.8%
P/E	31.7	26.3	33.1	31.0	42.9

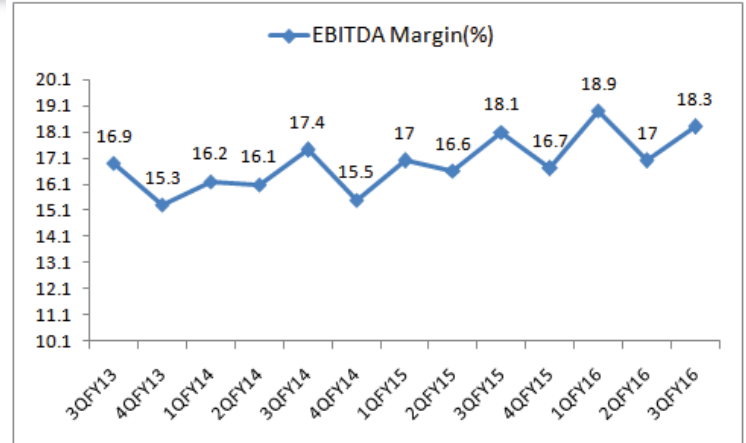
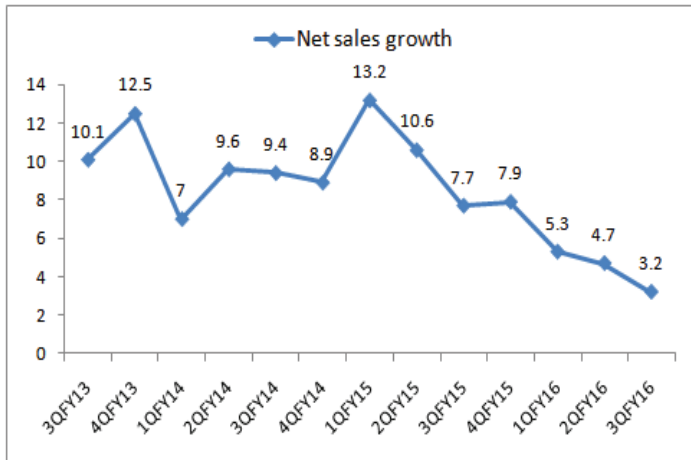
(Source: Company/Eastwind)

Business Details

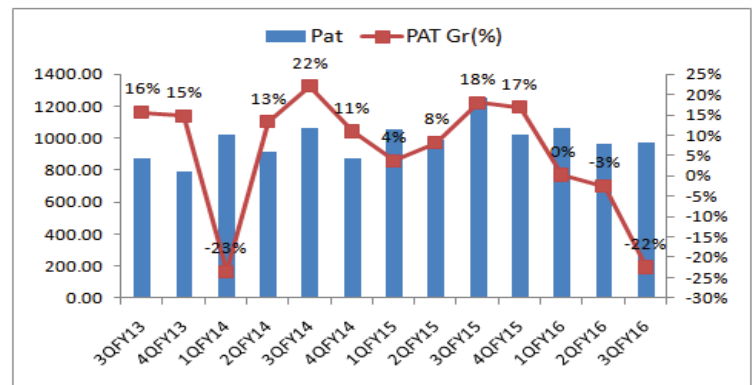




P/L Details



The negative profit growth was due to miss of exception items. At operating level performance was by and large stable



Source: Eastwind/Company

Financials Snap Shot

	INCOME STATEMENT			
	FY13	FY14	FY15	FY16E
Revenue (Net of Excise D	27004	29234	31972	33109
Other Income	532	570	567	498
Total Revenue	27536	29804	32539	33607
COGS	14087	14870	16176	15809
GPM	48%	49%	49%	52%
Other Expenses	7299	8045	8659	9728
EBITDA	4205	4746	5414	5887
EBITDA Margin (%)	16%	16%	17%	18%
Depreciation	251	296	322	344
EBIT	3954	4450	5091	5543
Interest	26	41	18	0
PBT	4460	4980	5640	6040
Tax	1227	1259	1944	1860
Tax Rate (%)	28%	25%	34%	31%
Reported PAT	3829	3946	4363	4111
Dividend Paid	4137	2904	3437	3797
No. of Shares	216	216	216	216

Source: Eastwind/Company

	BALANCE SHEET			
	FY13	FY14	FY15	FY16E
Share Capital	216	216	216	216
Reserves	2649	3321	3805	4120
Net Worth	2865	3537	4022	4336
Long term Debt	8	8	7	7
Short term Debt	16	37	36	36
Deferred Tax	0	0	0	0
Total Capital Employed	2873	3546	4029	4343
Net Fixed Assets	2395	2641	2718	2795
Capital WIP	212	365	516	723
Debtors	997	1017	1011	1047
Cash & Bank Balances	1901	2516	2689	3179
Trade payables	5342	5825	5507	5443
Total Provisions	2699	3072	3703	4515
Net Current Assets	126	649	813	805
Total Assets	12092	13754	14431	15496

Source: Eastwind/Company

	RATIOS			
	FY13	FY14	FY15	FY16E
EPS	17.7	18.2	20.2	19.0
Book Value	13.2	16.4	18.6	20.0
DPS	19.1	13.4	15.9	17.5
Payout (incl. Div. Tax.)	108%	74%	79%	92%
Valuation(x)				
P/E	26.3	33.1	31.0	42.9
Price / Book Value	35.2	36.9	33.6	40.7
Dividend Yield (%)	4.10%	2.22%	2.54%	2.15%
Profitability Ratios				
RoE	76%	134%	112%	108%
RoCE	138%	126%	126%	128%
Turnover Ratios				
Asset Turnover (x)	2.2	2.1	2.2	2.1
Debtors (No. of Days)	13.5	12.7	11.5	11.5
Inventory (No. of Days)	70.1	72.2	64.3	60.0
Creditors (No. of Days)	72.2	72.7	62.9	60.0
Net Debt/Equity (x)	0.00	0.00	0.00	0.00

Source: Eastwind/Company

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	4460	4980	5640	6040
Depreciation	251	296	322	344
Direct Taxes Paid	(1074)	(1384)	(2030)	(1860)
Operating profit before w	4266	4802	5510	6385
CF from Op. Activity	3605	3818	3124	4965
Purchase of Non Current investments				
Capital expenditure on fix	(441)	(606)	(606)	(422)
CF from Inv. Activity	63	(475)	306	(749)
Repayment of Long Term	8	(10)	(1)	0
Interest Paid	(26)	(29)	(18)	(0)
Divd Paid (incl Tax)	(4137)	(2904)	(3437)	(3797)
CF from Fin. Activity	(4147)	(2960)	(3462)	(3797)
Inc/(Dec) in Cash	(480)	383	(33)	419
Add: Opening Balance	942	462	845	2689
Closing Balance	462	845	813	3109

Source: Eastwind/Company