

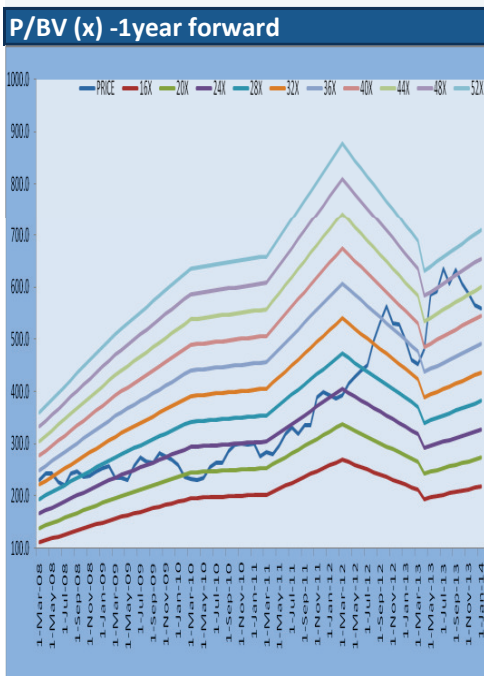
"wait for triggers"

Result update	NEUTRAL
CMP	570
Target Price	-
Previous Target Price	-
Upside	-
Change from Previous	-

Market Data	
BSE Code	500696
NSE Symbol	HINDUNILVR
52wk Range H/L	725/432
Mkt Capital (Rs Cr)	123161
Average Daily Volume	2006314
Nifty	6153

Stock Performance-%			
	1M	1yr	YTD
Absolute	0.23	21.18	21.63
Rel. to Nifty	3.2	20.33	19.85

Share Holding Pattern-%			
	Current	2QFY14	1QFY14
Promoters	67.25	67.25	52.5
FII	14.83	15.33	20.23
DII	3.35	3.03	7.13
Others	14.57	14.39	20.16



Delivered stable set of numbers, still expecting key challenges ahead;

For 3QFY14, despite slow discretionary demand HUL reported inline set of numbers

with 8.5% (YoY) sales growth led by 4% (YOY) volume growth. PAT grew by 19%(YoY). Increasing competitive intensity, slow consumer demand and expectation of hike in input cost in near term could be major concern for HUL. We expect that these concerns could play out over the next couple of quarters.

We do not see any sign of improvement in volume growth in near future. However, revival in macro economy and resultant improvement in consumer sentiment would play a key triggers for improvement in the volume growth in near term.

Steady margin growth: During the quarter, EBITDA margin inched up by 50bps(YoY) to 17% because of stable INR movement against the USD and stable set of RM cost than same quarter previous year. PAT margin also improved slightly to 17.4% on YoY. During the quarter, company has been efficient to manage cost inflation through judicious pricing and unwinding of promotions.

Volume growth: Volume growth for the quarter was at 4%, which is slightly lower than the 5% registered in previous several quarters due to further deterioration in market growth rates and higher component of price versus volume in its core soaps and detergents category.

Segment-wise performance: (a)Soaps and Detergents delivered a healthy performance. The company witnessed a price led growth in this segment during the quarter. Wheel was re-launched with superior formulation at quarter end. It has grown well compared to preceding last 2 quarters. (b)Household Care delivered another strong quarter with both Vim and Domex growing in double digits. (3)On Personal Products, Skin Care performing well with a revenue growth in mid teens in a slowing market and in spite of the delay in the onset of the winter season.

Product Strategy: The company has launched premium range of hair care products - Toni and Guy. This brands are sold through select top end outlets. However, its operating metrics was challenging given the volatile cost environment, led by the INR depreciation, and heightened competitive intensity during the quarter.

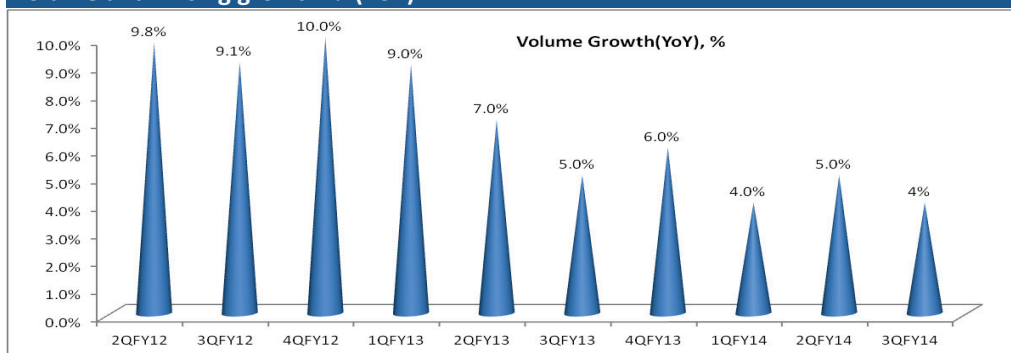
View and Valuation: To continue to deliver strong growth, HUL is likely to continue with aggressive marketing and offer discounts/price cuts, especially in soaps, detergents and personal products and the company fights off competition rivals domestic as well as multi-national. we are confident of the medium to long-term growth prospects of the FMCG sector. At a CMP of Rs 570, stock trades at 29x FY15E P/BV. We have a NEUTRAL view on the stock.

Financials	Rs, Crore				
	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	7037.78	6747.2	4.3	6433.89	9.4
EBITDA	1226.8	1085.31	13.0	1088.99	12.7
PAT	1043.7	888.3	17.5	877.08	19.0
EBITDA Margin	17.4%	16.1%	130bps	16.9%	50bps
PAT Margin	14.8%	13.2%	160bps	13.6%	120bps

(Source: Company/Eastwind)

Hindustan Unilever

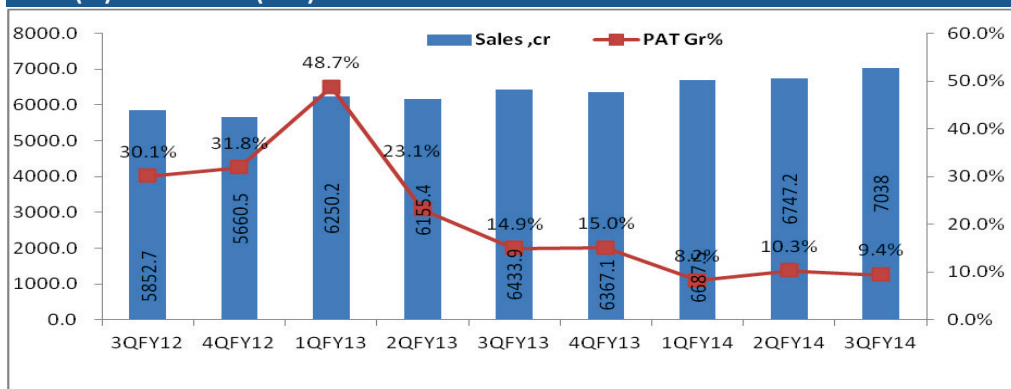
Volume and Pricing growth -(YoY)



(Source: Company/Eastwind)

Volume growth for the quarter was at 4%, which is slightly lower than the 5% registered in previous several quarters

Sales (cr) and Growth (YoY)-%



(Source: Company/Eastwind)

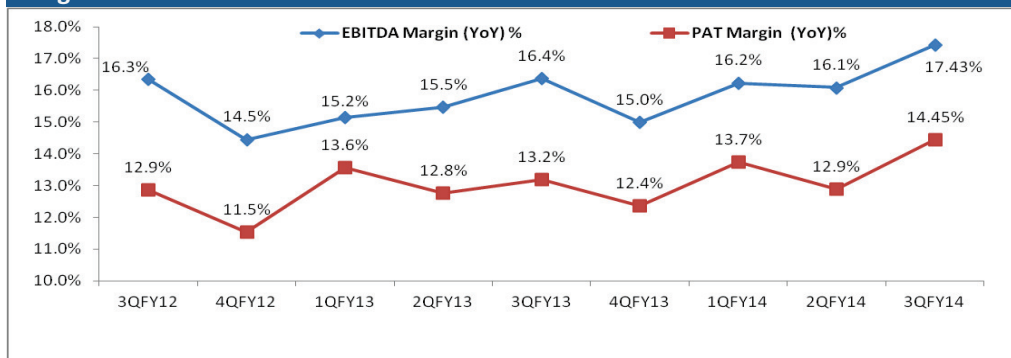
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Segments	% of Sales	Revenue Growth-%			Margin-%		
		3QFY13	2QFY14	3QFY14	3QFY13	2QFY14	3QFY14
Soaps & Detergents	47.0%	19.9%	6.4%	7.1%	12.4%	14.0%	13.3%
Personal Products	31.9%	8.5%	11.8%	12.4%	28.3%	22.8%	28.6%
Beverages	11.8%	18.2%	16.1%	7.2%	17.7%	17.0%	16.2%
Packaged Foods	5.2%	7.7%	8.7%	12.9%	-0.7%	3.3%	-3.6%
Others	3.8%	-33.4%	5.7%	-4.7%	-6.4%	1.5%	-4.9%

(Source: Company/Eastwind)

EBITDA Margin up by 90bps to 13.3% from Soap and Detergent, flat margin growth on Personal Products.

Margin-%



(Source: Company/Eastwind)

EBITDA margin inched up by 50bps (YoY) to 17% because of stable INR movement against the USD and stable set of RM cost than same quarter previous year.

Hindustan Unilever

Key facts from HUL Con-call (attended on 28th Jan, 2014)

- (1)The mgmt stated that FMCG market growth continues to remain soft across the categories, with high competitive intensity and uncertain media environment. While, for medium to long term the mgmt is positive on FMCG sector.
- (2)The management expects to see some cost burden on promotion through media because of 12 minutes advertisement cap.
- (3)Rural growth continues to outpace urban growth by 200 bps and there is no clear-cut sign of uptick in urban demand as per available data from Nielsen.
- (4)Personal products and packaged foods both segments have headroom for growth and will remain focus area.
- (5)Tax rate is expected to rise by 300-400 bps for FY15.

Financials

Rs in Cr,	FY10	FY11	FY12	FY13	FY14E	FY15E
Sales	18025.6	20022.6	23436.3	27004.0	28959.1	31506.3
RM Cost	6762.8	7796.9	9487.0	10987.8	11873.2	13075.1
Purchases of stock-in-trade	2173.1	2692.8	2919.5	3125.3	3185.5	3465.7
WIP	75.7	-307.6	95.2	-26.0	-27.9	-30.3
Employee Cost	970.9	1014.9	1200.9	1412.7	1515.0	1648.2
Ad Spend	2423.0	2797.1	2697.0	3290.0	3619.9	3938.3
Other expenses	2783.2	3317.4	3553.2	4008.9	4054.3	4568.4
Total expenses	15188.7	17311.3	19952.8	22798.7	24219.9	26665.4
EBITDA	2836.9	2711.2	3483.6	4205.3	4739.1	4840.9
Depreciation and Amortisation	191.9	207.5	211.9	251.3	270.4	294.2
Other Income	82.7	255.2	259.6	532.0	579.2	630.1
EBIT	2727.6	2758.9	3531.3	4486.0	5047.9	5176.9
Interest	7.5	1.0	1.7	25.7	25.7	27.0
PBT	2720.2	2757.9	3529.7	4460.3	5022.2	5149.9
Tax Exp	615.3	650.3	821.5	1226.7	1406.2	1442.0
PAT	2104.9	2107.6	2708.1	3233.7	3616.0	3707.9
Growth-% (YoY)						
Sales	-13.4%	11.1%	17.0%	15.2%	7.2%	8.8%
EBITDA	-4.9%	-4.4%	28.5%	20.7%	12.7%	2.1%
PAT	-16.1%	0.1%	28.5%	19.4%	11.8%	2.5%
Expenses on Sales-%						
RM Cost	37.5%	38.9%	40.5%	40.7%	41.0%	41.5%
Ad Spend	13.4%	14.0%	11.5%	12.2%	12.5%	12.5%
Employee Cost	5.4%	5.1%	5.1%	5.2%	5.2%	5.2%
Other expenses	15.4%	16.6%	15.2%	14.8%	14.0%	14.5%
Tax rate	22.6%	23.6%	23.3%	27.5%	28.0%	28.0%
Margin-%						
EBITDA	15.7%	13.5%	14.9%	15.6%	16.4%	15.4%
EBIT	15.1%	13.8%	15.1%	16.6%	17.4%	16.4%
PAT	11.7%	10.5%	11.6%	12.0%	12.5%	11.8%
Valuation:						
CMP	238.7	284.6	419.0	483.3	570.00	570.00
No of Share	218.2	215.9	218.2	216.2	216.26	216.26
NW	2668.9	2735.0	3681.1	2864.8	3571.24	4243.13
EPS	9.6	9.8	12.4	15.0	16.72	17.15
BVPS	12.2	12.7	16.9	13.3	16.51	19.62
RoE-%	78.9%	77.1%	73.6%	112.9%	101.3%	87.4%
P/BV	19.5	22.5	24.8	36.5	34.52	29.05
P/E	24.7	29.2	33.8	32.3	34.09	33.24

(Source: Company/Eastwind)