



COMPANY ANALYSIS

HINDUSTAN UNILEVER LIMITED



Hindustan Unilever Limited



With its headquarters in Mumbai, India, Hindustan Unilever Limited (HUL) is a manufacturer of consumer goods. It is a subsidiary of the British company Unilever. Foods, drinks, cleaning supplies, toiletries, water purifiers, and other quickly consumed goods are among its offerings.

Hindustan Vanaspati Manufacturing Co. was founded in 1931; in 1956, it merged with other constituent groups to become Hindustan Lever Limited. The company is now known as Hindustan Unilever Limited as of June 2007.

Industry: Fast Moving Consumer Goods (FMCG)

Area of Expertise: Production and Distribution of Consumer Goods

HUL around the world



Current Market Capitalization
INR 596,197 crores

Price Earning Multiple
67.18

Current Market Price
INR 2662.85

Business Model

- HUL is involved in the production of fast-moving consumer goods. It covers a wide variety of products in three divisions: home care, beauty & personal care, and foods & refreshment.
- The turnover has increased by 11%. The total turnover is 50,336 crores, of which 30% is from home care, 39% is from beauty and personal care, 29% is from food and refreshment, and 2% is from others.
- Through its People Data Center, which combines social listening with conventional consumer research, HUL monitors shifting consumer sentiment.
- For manufacturing products, HUL needs thousands of tonnes of agricultural raw materials, packaging, and chemicals. They rely on over 1,300 supplier partners to procure materials and deliver essential services.
- The materials are transformed into the goods at company plants and by outside manufacturers. Their products are ultimately delivered to millions of retail locations through a national network of logistical hubs.
- HUL stands out due to their 50+ brands, R&D power, intellectual property, including patents and trademarks, manufacturing expertise, technological prowess, and organizational design. Its organizational structure, which includes 29 company-owned factories, 11 offices, and 35 logistics warehouses dispersed around the nation, makes it distinct.
- HUL is ranked among the nation's biggest advertisers in terms of media expenditures. To interact with consumers and make it simple for them to choose their brand, they are producing a growing amount of customized digital material.
- To make their brands accessible to customers whenever and wherever people shop, HUL leverages a variety of channels. Around nine million retail locations offer their products.

SWOT

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Strengths

- Highest reach amongst FMCG companies with total coverage of 9mn outlets and expansion at a moderate pace with 100k outlets added each year.

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Weakness

- The company's lack of any ayurvedic or natural products, which is a drawback given that the current population is moving toward herbal products.

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Threats

- As more people turn to organic and healthy products, some unorganized small businesses may gain market share, which could pose a threat to HUL.

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Opportunities

- With increasing disposable incomes, education, and youth population, the FMCG sector in rural and semi-urban areas is expected to grow very rapidly.

Recent Highlights

Highest reach amongst FMCG companies with total coverage of 9mn outlets and expansion at a moderate pace with 100k outlets added each year. The market share for hair care is at its highest level in twenty years. HUL outperforms its biggest category rivals by three times.

Hindustan Unilever Ltd., announced the mutual termination of a sales and distribution agreement with GSK Consumer to sell the latter's over-the-counter and oral care products (OTC). The move is not expected to have a material impact on HUL. The company and GSKAPL, GSKCPL companies have terminated their agreement effective 8th November 2023. The one-year notice period begins 9th November 2022.

Hindustan Unilever Ltd. will price its products differently based on the prices of commodities by increasing spending on advertising and promotions thereby boosting sales in the current quarter. The cost of ingredients is likely to increase for products that require more expensive ingredients, while costs for products that use cheaper ingredients may decrease. Later on, the company is increasing prices, then decreasing them later on.

Sector-wise Trend

01 ATTRACTION TO THE D2C CHANNELS

With increasing switch towards technology, society is gradually favouring convenience over traditional shopping methods, by choosing the option of direct-to-consumer sales. The increase in online ordering has been exacerbated by the COVID-19 pandemic, as many people feel safer ordering products online. .

02 CONSCIOUS INDULGENCES

Customers want experiences that don't conflict with their health and financial goals. People are drawn to FMCG products for their taste and enjoyment, but there is a growing demand for more conscious and affordable products that offer a truly guilt-free experience..

03 OPERATIONAL RESILIENCY IN THE SUPPLY CHAIN

As the world has become more global, companies across industries have applied cost-saving tactics such as shipping overseas, typically in concentrated areas, to lower their labour and warehousing costs. Unstable input costs, cost-saving strategies have increased avoidable risk to supply chains.

04 AATMANIRBHAR BHARAT

Machine learning and natural language processing are increasingly being used in the food and beverage industry, providing opportunities for companies to improve their products and services. With voice-based systems and AI-based solutions, recommendation engines can provide personalised product suggestions

Financial Highlights

PARTICULARS	FY 19-20	FY 20-21	FY 21-22	COMMENTS
Revenues (INR in crores)	39,783	47,028	52,446	Increase in the revenue mainly due to growth in the F&R Segment.
Inventory Turnover	6.88	7.11	6.71	Broadly stable across the last three years, affirming stringent inventory policies.
EBITDA Margin	25.13	25.23	24.97	Stable across the three years, showing the stock/sector strength relative to market volatility pre/post COVID-19.
RoCE	80.04	27.92	18.12	Decreasing due to the increase in the capital employed outrunning the increase in the profits..
RoE	83.85	28.60	18.36	Decreased due to induction of further share capital, thereby diluting the returns..

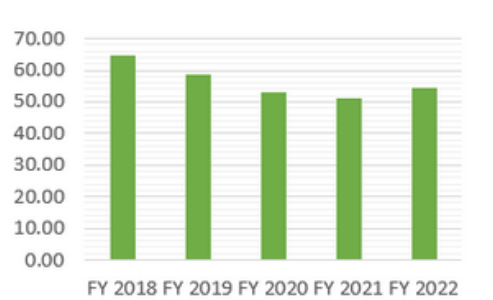
Ratio Analysis

OPERATING CASH FLOW



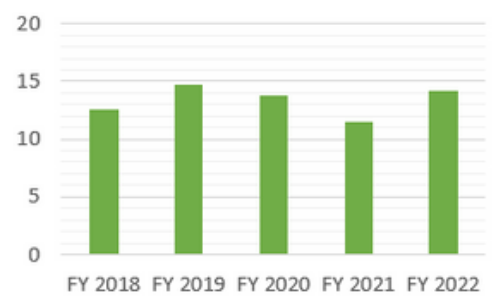
The company's Operating cash flows are increasing over the years, indicating a strong cash income generation from the core business activities to maintain and grow its operations.

DAYS INVENTORY OUTSTANDING



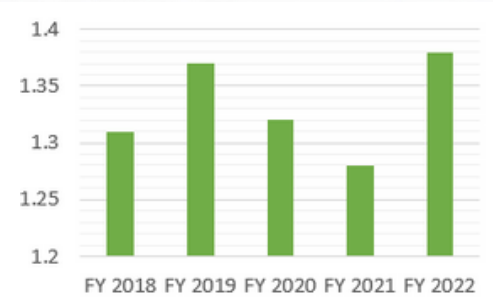
The company's Days Inventory Outstanding has been consistently reducing in the last 5 years, indicating that the company is able to turn its inventory into sales quickly.

DAYS SALES OUTSTANDING



The company's Days Sales Outstanding has been on the lower side with a change of barely a day, indicating a quick receipt of the payments from the accounts receivables.

CURRENT RATIO



The company's Current Ratio has been at a similar level of around 1.30. Having said that, it is in a healthier state indicating a stronger liquidity position.

Future Outlook

1 For the industry in which the company operates:

- The FMCG market in India is expected to increase at a CAGR of 14.9% to reach US\$ 220 billion by 2025, from US\$ 110 billion in 2020. By 2025, it is anticipated that the Indian packaged food market will have doubled to US\$ 70 billion. There is potential for growth due to rising disposable income in rural India and low rates of market penetration there.
 - Urban and rural areas are becoming more connected to the internet, which is increasing demand for FMCG (through e-commerce portals). The E-commerce segment is forecast to contribute 11% to the overall FMCG sales by 2030.
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2 For the Company

- HUL plans to expand the portfolio by accelerating market growth, growing the core, and promoting premiumization.
- To Lead in the upcoming channels by accelerating omnichannel and pure-play e-commerce. strengthen e-B2B presence and Utilize shopper insight to enhance category leadership.
- Create unique structures and capabilities by empowering business units and embracing digital change (Reimagine HUL).
- Build a purpose-driven, future-ready organization.
- Unlocking capacity through organizational culture and growing technology and agility.
- Be a guiding light for value-based leadership, diversity, and inclusion