

Strong outperformance; raise estimates and PO

**Bank of America
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13% quarter beat; hike PO to Rs420

HUL reported a strong Q2 with 13% PAT beat despite commodity inflation. Post this we have upped estimates 4% to 7% to bake in higher revenue/margins and we are 3% ahead of consensus led by this. We raise PO to Rs420 (earlier PO Rs360) based on a target of 27x 1yr fwd PE and bakes in ~5% re-rating vs five yr historical average. It is at 15% premium to ITC's target PE- justified given HUL's higher RoE and converging growth rates.

Across the board growth; soaps & detergents surprise

While HUL reported strong growth across segments, Soaps & detergents surprised positively with 22% revenue growth led by price hikes. Personal products (+18%/yoy), beverages (+15%/yoy) and processed foods (+21% yoy) growth was led by a mix of price and volume increases. EBITDA margins improved 116bp despite 348bp higher raw material costs led by (1) rationalized A&P spends in soaps & detergents and (2) operating leverage.

Strong volume growth to continue as drivers intact

HUL's strong volume performance in Q2 was led by (1) growth in modern trade, (2) increased rural reach and (3) product innovations. We expect volume growth to sustain at ~10% level in the medium term led by these factors and also given HUL's strong internal focus on profitable volume increase.

Reiterate Buy; upside pot'l to estimates

We reiterate Buy on HUL with increased PO of Rs420. Our PO assumes ~5% re-rating vs historical average multiple- justified given robust volume uptick, over 90% RoE and 18% EPS CAGR. We see upside potential to estimates led by strong correction in commodity prices. Key risks: i) competitive intensity can drive HUL to up A&P spends and ii) sustained commodity inflation can pressure margins.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	21,027	21,533	25,757	30,038	34,827
EPS	9.64	9.97	11.93	13.91	16.13
EPS Change (YoY)	0.4%	3.5%	19.6%	16.6%	15.9%
Dividend / Share	6.98	6.58	8.95	11.13	13.71
Free Cash Flow / Share	14.40	9.08	13.37	16.18	18.10

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	40.27x	38.92x	32.54x	27.90x	24.06x
Dividend Yield	1.80%	1.69%	2.30%	2.87%	3.53%
EV / EBITDA*	27.45x	27.80x	23.23x	19.93x	17.17x
Free Cash Flow Yield*	3.75%	2.34%	3.45%	4.17%	4.66%

* For full definitions of *iQmethod*SM measures, see page 9.

Stock Data

Price	Rs388.10
Price Objective	Rs420.00
Date Established	1-Nov-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs264.45-Rs393.20
Mrkt Val / Shares Out (mn)	US\$17,211 / 2,159.5
Average Daily Volume	2,677,347
BofAML Ticker / Exchange	HINLF / NSI
Bloomberg / Reuters	HUVR IN / HLL.NS
ROE (2012E)	91.9%
Net Dbt to Eqty (Mar-2011A)	-62.3%
Est. 5-Yr EPS / DPS Growth	15.0% / 15.0%
Free Float	49.0%

Key Changes

(Rs)	Previous	Current
Price Obj.	360.00	420.00
2012E Rev (m)	217,922.0	222,395.1
2013E Rev (m)	240,889.4	249,618.7
2014E Rev (m)	266,602.8	278,702.9
2012E EPS	11.43	11.93
2013E EPS	13.13	13.91
2014E EPS	15.06	16.13

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11104495

iQprofileSM Hindustan Unilever

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	177,659	196,945	222,395	249,619	278,703
Gross Profit	29,521	29,150	34,883	40,659	47,199
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	28,052	27,356	32,946	38,562	44,917
Net Interest & Other Income	(982)	(54)	75	197	313
Associates	NA	NA	NA	NA	NA
Pretax Income	27,071	27,302	33,021	38,759	45,230
Tax (expense) / Benefit	(6,044)	(5,769)	(7,265)	(8,721)	(10,403)
Net Income (Adjusted)	21,027	21,533	25,757	30,038	34,827
Average Fully Diluted Shares Outstanding	2,182	2,160	2,160	2,160	2,160

Key Cash Flow Statement Data

Net Income	21,027	21,533	25,757	30,038	34,827
Depreciation & Amortization	1,469	1,794	1,936	2,097	2,281
Change in Working Capital	12,975	(3,130)	3,690	5,304	4,479
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	993	1,527	0	0	0
Cash Flow from Operations	36,463	21,724	31,383	37,440	41,587
Capital Expenditure	(5,041)	(2,116)	(2,500)	(2,500)	(2,500)
(Acquisition) / Disposal of Investments	(9,315)	34	0	0	0
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(14,355)	(2,082)	(2,500)	(2,500)	(2,500)
Shares Issue / (Repurchase)	2	(22)	0	0	0
Cost of Dividends Paid	(17,827)	(16,556)	(22,408)	(27,875)	(34,340)
Cash Flow from Financing	(22,044)	(16,578)	(22,408)	(27,875)	(34,340)
Free Cash Flow	31,423	19,608	28,883	34,940	39,087
Net Debt	(18,922)	(16,400)	(22,875)	(29,939)	(34,687)
Change in Net Debt	(4,283)	(3,064)	(6,475)	(7,064)	(4,748)

Key Balance Sheet Data

Property, Plant & Equipment	24,361	24,682	25,246	25,649	25,868
Other Non-Current Assets	15,129	14,703	14,703	14,703	14,703
Trade Receivables	6,716	9,432	11,120	11,233	12,542
Cash & Equivalents	18,922	16,400	22,875	29,939	34,687
Other Current Assets	28,040	35,120	39,142	43,933	49,052
Total Assets	93,167	100,338	113,086	125,457	136,851
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	0	0	0	0	0
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	67,332	73,998	83,398	93,607	104,514
Total Liabilities	67,332	73,998	83,398	93,607	104,514
Total Equity	25,835	26,339	29,688	31,850	32,338
Total Equity & Liabilities	93,167	100,338	113,086	125,457	136,852

iQmethodSM - Bus Performance*

Return On Capital Employed	90.5%	90.3%	98.8%	103.5%	113.8%
Return On Equity	90.5%	82.5%	91.9%	97.6%	108.5%
Operating Margin	15.8%	13.9%	14.8%	15.4%	16.1%
EBITDA Margin	16.6%	14.8%	15.7%	16.3%	16.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.7x	1.0x	1.2x	1.2x	1.2x
Asset Replacement Ratio	3.4x	1.2x	1.3x	1.2x	1.1x
Tax Rate (Reported)	22.3%	21.1%	22.0%	22.5%	23.0%
Net Debt-to-Equity Ratio	-73.2%	-62.3%	-77.1%	-94.0%	-107.3%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

Company Description

HUL, a 53% subsidiary of Unilever, is largest Indian Fast Moving Consumer Goods Company (FMCG excl cigarette). It has a portfolio of over 50 brands across categories such as soaps, detergents, foods, ice cream and water purifiers. It has about 15,000 employees. Key strengths are extensive distribution network (its products are available in over 6mn outlets), powerful brands (most of its brands are market leaders and straddle price segments), strong balance sheet, and high-quality management.

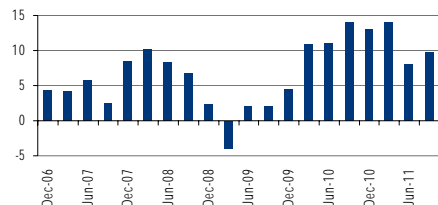
Investment Thesis

Our Buy on HUL is led by resumption in the strong volume growth due to higher reach and growth in relatively under-penetrated personal products. Margins are expected to improve on the back of improving product mix and selective price increases. Risk to earnings from global slowdown is limited as HUL derives over 90% of revenue from domestic markets. We expect current multiple to sustain led by this.

Stock Data

Price to Book Value 28.2x

Chart 1: Volume Growth (% yoy)



Source: Company, BofAML Global Research

Strong quarter outperformance

- HUL reported a strong Q2 with 13% beat at the PAT level.
- Strong 9.8% yoy volume gr (vs 9% est) at higher prices was the key highlight

Growth drivers sustainable in medium term

Over the last two years we believe strong volume growth for HUL is being driven by (1) its first mover advantage with modern trade channel. This also helps HUL in faster new launches as well as driving premiumisation in urban markets, (2) increased direct reach in rural India and (3) organizational changes to focus on profitable volume growth (by increasing variable part of employee compensation as well as empowering managers to take on the spot decisions). We believe these are sustainable growth drivers in medium term.

Table 1: Quarterly results table

Rs mn	2QFY12	2QFY11	%YoY	1QFY12	%QoQ	2QFY12E	Act vs Est	Remarks
Net sales	56,105	47,647	17.8%	55,794	0.6%	54,317	3.3%	# Strong price led growth in soaps and detergents led to the revenue beat
(increase)/ decrease in stock in trade and WIP	-526	(1,034)	-49.1%	1,903	-127.7%	-1,000	-47.4%	# Volumes grew 9.8% yoy, ahead of estimated 9%
Raw / packing materials	22,905	17,995	27.3%	21,141	8.3%	20,822	10.0%	
Purchase of traded goods	7,631	6,869	11.1%	7,698	-0.9%	7,500	1.7%	
Employee costs	2,873	2,450	17.3%	2,862	0.4%	2,716	5.8%	
Advertising & Promotions	6,514	6,465	0.8%	6,330	2.9%	7,333	-11.2%	
Other expenditure	8,441	8,433	0.1%	8,318	1.5%	9,702	-13.0%	
Total Expenditure	47,838	41,178	16.2%	48,251	-0.9%	47,072	1.6%	
EBITDA	8,267	6,469	27.8%	7,543	9.6%	7,245	14.1%	
D&A	571	554	3.1%	562	1.6%	570	0.2%	
EBIT	7,696	5,915	30.1%	6,981	10.2%	6,675	15.3%	
Other Income	777	768	1.1%	506	53.5%	700	11.0%	
Interest	5	1	671.4%	0	2600.0%	0	NA	
PBT	8,467	6,683	26.7%	7,487	13.1%	7,375	14.8%	
Total Tax	1,942	1,346	44.3%	1,802	7.8%	1,604	21.1%	
Rec PAT	6,525	5,337	22.3%	5,684	14.8%	5,771	13.1%	
Extraordinary Income/ (Exp)- adj for tax	364	325	12.2%	588	-38.0%		NA	
Reported PAT	6,889	5,661	21.7%	6,272	9.8%	5,771	19.4%	
Margins	2QFY12	2QFY11	%YoY	1QFY12	%QoQ	2QFY12E	Act vs Est	
EBITDA	14.7%	13.6%	116bp	13.5%	122bp	13.3%	140bp	# EBITDA margins improved as A&P costs in soaps & detergents were rationalized
EBIT	13.7%	12.4%	130bp	12.5%	121bp	12.3%	143bp	# Higher raw material costs impacted margins negatively
Recurring PAT	11.6%	11.2%	43bp	10.2%	144bp	10.6%	101bp	
Effective tax rate	22.9%	20.1%	279bp	24.1%	-114bp	21.8%	119bp	
Costs as % of sales	2QFY12	2QFY11	%YoY	1QFY12	%QoQ	2QFY12E	Act vs Est	
Raw / packing materials	53.5%	50.0%	348bp	55.1%	-161bp	50.3%	319bp	# Commodity inflation led by jump in raw material costs as key raw materials were 20% to 40% higher vs last year
Employee costs	5.1%	5.1%	-2bp	5.1%	-1bp	5.0%	12bp	
Advertising expenditure	11.6%	13.6%	-196bp	11.3%	27bp	13.5%	-189bp	# While A&P in soaps and detergents was rationalized, the rest of the segments saw spends moving up
Other expenditure	15.0%	17.7%	-265bp	14.9%	14bp	17.9%	-282bp	# Operating leverage and absence of expenses on innovation led to 225 bp decline in other expenditure

Source: Company, BofAML Global Research

Raise ests 4% to 7%; new PO bakes in marginal re-rating

Post a strong outperformance in Q2 we raise estimates by 4% to 7%. We hike PO to Rs420 (vs earlier PO at Rs360) as we bake in ~5% re-rating vs historical average multiple. We believe this is justified given continued strong volume uptick, 18% EPS CAGR and increasing RoE.

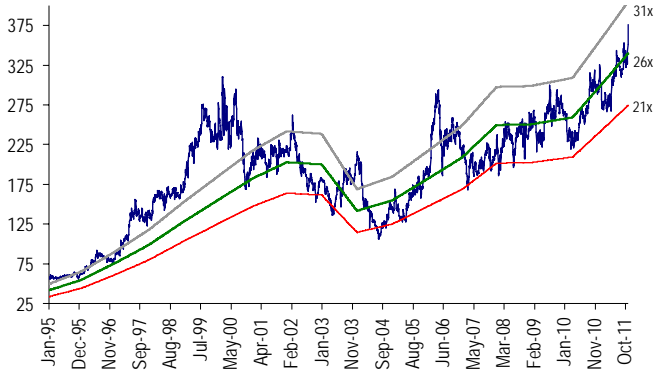
Table 2: Segmental Performance

Standalone Segment Revenue (Rs mn)	Q2FY12	Q2FY11	YoY	Q1FY12	QoQ	Remarks
Soaps and Detergents	25,926	21,294	22%	25,550	1%	# Price hikes taken to offset commodity inflation resulted in strong revenue growth # Vim, Lux were re-launched
Personal Products	16,126	13,649	18%	16,307	-1%	# Growth was led by a mix of price, volume # Innovations launched across portfolio
Beverages	6,533	5,700	15%	6,086	7%	
Processed Foods	3,318	2,744	21%	3,721	-11%	
Exports	2,909	2,647	10%	3,063	-5%	
Others (includes Chemicals, Water, etc.)	1,161	1,527	-24%	1,066	9%	
Total Segment Revenue	55,973	47,560	18%	55,793	0%	
Less: inter segment	-	-				
Net revenue	55,973	47,560	18%	55,793	0%	
Segment Results PBIT	Q2FY12	Q2FY11	YoY	Q1FY12	QoQ	
Soaps and Detergents	3,212	2,501	28%	2,361	36%	
Personal Products	3,940	3,140	25%	4,133	-5%	
Beverages	877	876	0%	754	16%	
Processed Foods	165	155	6%	174	-5%	
Exports	240	189	27%	237	1%	
Others (includes Chemicals, Water, etc.)	(78)	(183)	-57%	(26)	205%	
Total	8,357	6,678	25%	7,632	9%	
Less: Interest & Financial Expenses	(5)	(1)	671%	(0)	2600%	
Less: Unallocable expenditure net off unallocable income	560	410	36%	442	27%	
Profit / (Loss) Before Tax	8,911	7,087	26%	8,074	10%	
Segmental margins	Q2FY12	Q2FY11	YoY	Q1FY12	QoQ	
Soaps and Detergents	12%	12%	65bps	9%	315bps	# Company rationalized A&P led by its reactive approach in this category # Expect A&P to change in response to competitive action # Margins helped by premiumisation led by strong performance in specialized products like 'Surf Excel Matic'
Personal Products	24%	23%	143bps	25%	-91bps	
Beverages	13%	15%	-193bps	12%	104bps	
Processed Foods	5%	6%	-69bps	5%	29bps	
Exports	8%	7%	111bps	8%	53bps	
Others (includes Chemicals, Water, etc.)	-7%	-12%	528bps	-2%	-432bps	
Capital Employed(Segment Assets-Segment Liabilities)	Q2FY12	Q2FY11	YoY	Q1FY12	QoQ	
Soaps and Detergents	(3,757)	(5,671)	-34%	(2,635)	43%	
Personal Products	643	(1,708)	-138%	169	281%	
Beverages	1,248	350	256%	2,567	-51%	
Processed Foods	1,470	245	500%	1,117	32%	
Exports	1,545	2,195	-30%	1,885	-18%	
Others (includes Chemicals, Water, etc.)	(505)	(612)	-18%	(617)	-18%	
Total	644	(5,200)	-112%	2,485	-74%	
Unallocated capital employed	39,124	42,084	-7%	30,346	29%	
Total	39,768	36,884	8%	32,832	21%	

Source: Company, BofAML Global Research

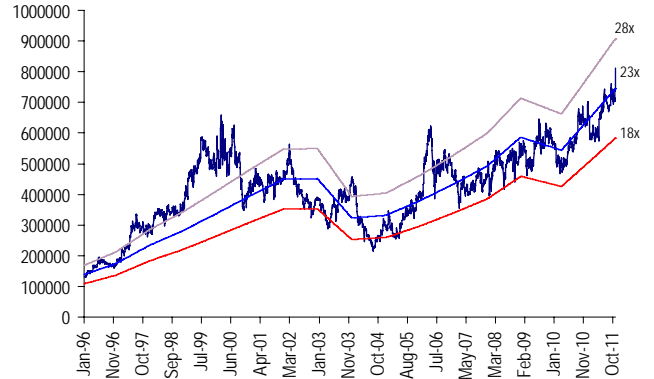
HUL has been re-rated over time led by volume uptick...

Chart 2: PE band shows re-rating since Mar-10



Source: Bloomberg for prices, Company, BofA Merrill Lynch Global Research

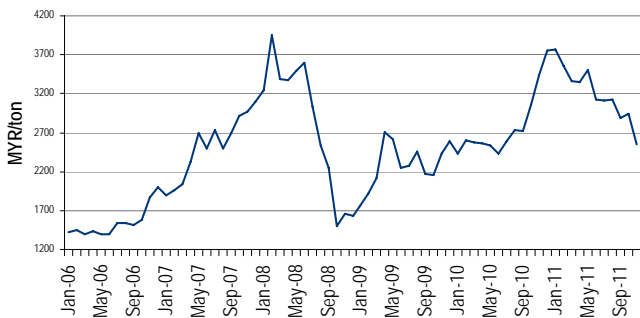
Chart 3: EV/EBITDA shows re-rating since Mar-10



Source: Bloomberg for prices, Company, BofA Merrill Lynch Global Research

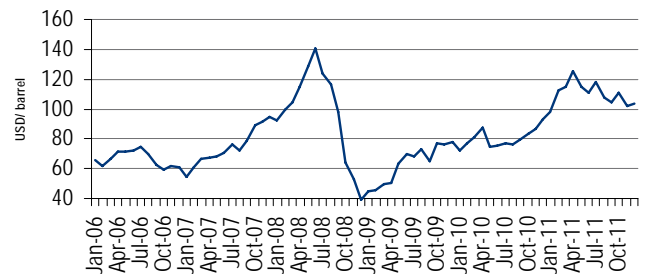
Further correction in raw material can provide upside potential...

Chart 4: Crude Palm Oil prices have corrected 25% from peak



Source: Bloomberg, BofA Merrill Lynch Global Research

Chart 5: Crude Oil prices have corrected 18% from peak



Source: Bloomberg, BofA Merrill Lynch Global Research

Table 3: Sensitivity to segmental performance

Yr ending 31 Mar	FY13E EBITDA	EPS
100bps change in segment revenue		
- Soaps & Detergents	0.6%	0.6%
- Personal Products	1.0%	1.0%
- Beverages	0.2%	0.2%
100bps change in segment margin		
- Soaps & Detergents	5.2%	5.5%
- Personal Products	4.0%	4.2%
- Beverages	1.5%	1.6%

Source: BofAML Global Research

Financial tables

Table 4: Profit and loss statement

INR mn	FY10A	FY11	FY12E	FY13E	FY14E
- Soaps & Detergents	82,656	87,916	96,707	104,927	112,272
- Personal Products	50,479	58,441	68,960	80,684	94,400
- Beverages	21,424	23,440	26,018	29,140	32,637
- Foods	7,308	9,026	10,831	12,997	15,336
- Ice creams	2,310	2,746	3,295	3,954	4,666
- Exports	10,053	10,997	11,546	12,124	12,730
- Other operations	3,467	4,380	5,037	5,793	6,662
Total Revenue	177,697	196,945	222,395	249,619	278,703
Total EBITDA	29,521	29,150	34,883	40,659	47,199
Depreciation	1,469	1,794	1,936	2,097	2,281
Total EBIT	28,052	27,356	32,946	38,562	44,917
Unallocated Inc/(Exp)	(2,393)	(2,571)	(2,442)	(2,320)	(2,204)
Operating Profit	25,659	24,785	30,504	36,242	42,713
Interest cost	(70)	(2)	(2)	(2)	(2)
Other income	1,481	2,519	2,519	2,519	2,519
Profit bef Tax	27,071	27,302	33,021	38,759	45,230
Tax	6,044	5,769	7,265	8,721	10,403
PAT bef Exceptionals	21,027	21,533	25,757	30,038	34,827

Source: Company, BofAML Global Research

Table 5: Key Ratios

	FY10A	FY11	FY12E	FY13E	FY14E
Margins					
EBITDA	16.6%	14.8%	15.7%	16.3%	16.9%
EBIT	15.8%	13.9%	14.8%	15.4%	16.1%
PAT	11.8%	10.9%	11.6%	12.0%	12.5%
Effective tax rate	22.3%	21.1%	22.0%	22.5%	23.0%
Per Share Data					
EPS (INR)	9.64	9.97	11.93	13.91	16.13
CEPS (INR)	14.20	14.33	17.05	19.80	22.91
Dividend Payout %	72%	66%	75%	80%	85%
Dividend Per Share (INR)	6.98	6.58	8.95	11.13	13.71
Book-value (INR)	11.84	12.20	13.75	14.75	14.97
Growth Ratios					
Revenue	6.4%	10.9%	12.9%	12.2%	11.7%
EBITDA	4.9%	-1.3%	19.7%	16.6%	16.1%
EBIT	4.6%	-2.5%	20.4%	17.0%	16.5%
PAT	0.6%	2.4%	19.6%	16.6%	15.9%
EPS diluted	0.4%	3.5%	19.6%	16.6%	15.9%
Other Key Metrics					
Debt to equity ratio	-118.3%	-105.5%	-115.5%	-129.8%	-142.5%
Assets Turnover	779%	828%	858%	871%	929%
DSO	13.80	17.48	18.25	16.43	16.43
Current assets as a % of sales	30.2%	30.9%	32.9%	34.1%	34.5%
Capex as % of sales	2.8%	1.1%	1.1%	1.0%	0.9%
Capex as % of operating cash flow	13.8%	9.7%	8.0%	6.7%	6.0%
Cash and cash equivalents	30,565	27,801	34,276	41,340	46,087
Free cash flow	22,108	19,642	28,883	34,940	39,087

Source: Company, BofAML Global Research

Table 6: Balance Sheet

Yr ending 31 st Dec, Rs mn	FY10A	FY11	FY12E	FY13E	FY14E
ASSETS					
Gross Fixed Assets	35,820	37,596	40,096	42,596	45,096
Accumulated Depreciation	(14,199)	(15,905)	(17,841)	(19,938)	(22,219)
Net Fixed Assets	21,621	21,692	22,255	22,658	22,877
Capital Work in Progress	2,740	2,991	2,991	2,991	2,991
Net Fixed Assets	24,361	24,682	25,246	25,649	25,868
Investments	12,641	12,607	12,607	12,607	12,607
- Investments - near cash	11,642	11,401	11,401	11,401	11,401
Inventories	21,799	28,113	31,135	34,947	39,018
Receivables	6,716	9,432	11,120	11,233	12,542
Other Assets	6,240	7,007	8,006	8,986	10,033
Cash and Bank Balances	18,922	16,400	22,875	29,939	34,687
Total Current Assets	53,678	60,952	73,136	85,105	96,280
Creditors for Goods	43,737	47,262	53,375	59,908	66,889
Other Current Liabilities	23,595	26,736	30,023	33,699	37,625
Total Current Liabilities	67,332	73,998	83,398	93,607	104,514
Net Current Assets excl Cash	(32,577)	(29,446)	(33,137)	(38,441)	(42,920)
Total Assets	23,347	24,243	27,591	29,754	30,241
LIABILITIES					
Equity Share Capital	2,182	2,160	2,160	2,160	2,160
Other Reserves	265	25	25	25	25
Share Premium Reserve	712	9	9	9	9
General Reserve	22,677	24,146	27,494	29,657	30,145
Total Reserves	23,654	24,180	27,528	29,691	30,178
Net Worth	25,835	26,339	29,688	31,850	32,338
Accumulated Def Tax Asset	(2,488)	(2,097)	(2,097)	(2,097)	(2,097)
Total Liabilities	23,347	24,243	27,591	29,754	30,241

Source: Company, BofAML Global Research

Table 7: Cash flow statement

Rs mn	FY10A	FY11	FY12E	FY13E	FY14E
Profit after tax and XO	22,020	23,060	25,757	30,038	34,827
Depreciation	1,469	1,794	1,936	2,097	2,281
Op profit bef W.Cap chg	23,489	24,854	27,693	32,135	37,108
Changes in working cap	12975	-3130	3690	5304	4479
Cash from operations	36,463	21,724	31,383	37,440	41,587
Capex	-5041	-2116	-2500	-2500	-2500
(Inc) / dec in investments	-9315	34	0	0	0
Cash from investing	-14355	-2082	-2500	-2500	-2500
Free cash flow	22,108	19,642	28,883	34,940	39,087
Increase in share capital	2	-22	0	0	0
Increase in Reserves	0	0	0	0	0
Chg in debt	-4219	0	0	0	0
Dividend paid plus tax	-17827	-16556	-22408	-27875	-34340
Cash from financing	(22,044)	(16,578)	(22,408)	(27,875)	(34,340)
Total cash flow	64	3,064	6,475	7,064	4,748
Opening cash	19,815	30,565	27,801	34,276	41,340
Closing cash	19,879	33,628	34,276	41,340	46,087

Source: Company, BofAML Global Research

Price objective basis & risk

Hindustan Unilever (HINLF)

Our PO of Rs420 is based on a target 1yr fwd PE of 27x which bakes in 5% re-rating vs historical five year average multiple and is at 15% premium to target PE of ITC- justified given higher RoE for HUL and converging growth differential. Key risks: i) high competitive intensity can drive HUL to increase A&P spends that can impact margins and ii) sustained commodity inflation can pressure margins.

Link to Definitions

Consumer & Retail

Click [here](#) for definitions of commonly used terms.

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India - Consumer Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Dabur India	DBUIF	DABUR IN	Prasad Deshmukh
	Hindustan Unilever	HINLF	HUVR IN	Prasad Deshmukh
	ITC Limited	ITCTF	ITC IN	Prasad Deshmukh
	Mcleod Russel India Ltd.	XCVFF	MCLR IN	Prasad Deshmukh

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

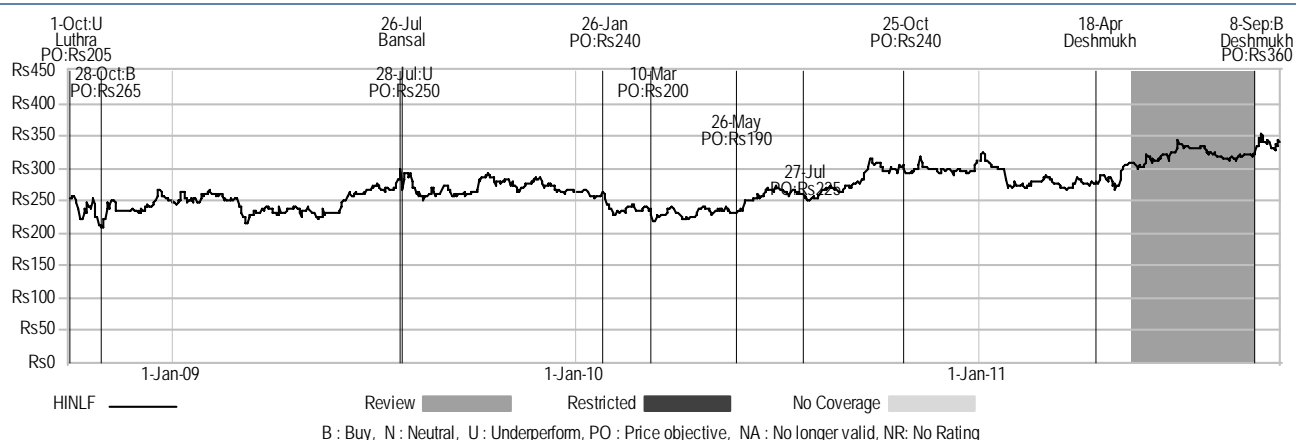
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HINLF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR : No Rating

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Investment Rating Distribution: Consumer Products Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	38	64.41%	Buy	21	60.00%
Neutral	11	18.64%	Neutral	7	77.78%
Sell	10	16.95%	Sell	5	50.00%

Investment Rating Distribution: Global Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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