



HINDUSTAN UNILEVER

Another shot at premiumisation

India Equity Research | Consumer Goods



Edelweiss
Ideas create, values protect

Hindustan Unilever (HUL), in a bid to further cement its position in the personal care segment, is likely to launch its hair care (shampoo and conditioner) brand TRESemme in India. India will be the second country after Brazil where the brand will be launched, signifying the country's importance to Unilever. TRESemme, positioned as a premium brand (HUL is present in mass-premium category through Dove), will position HUL at all price points in the hair care portfolio and target urban consumers looking for a salon-like experience. With changing lifestyles and premiumisation, the company is betting big on salonisation, which could be tapped through TRESemme. We expect the company to march a steal over competition on back of its focus on innovation, premiumisation and softness in competitive intensity of major competitor (P&G in India) which will boost margins (S&D margins have been on the rise over past few quarters; shampoo likely to follow suit). Maintain 'BUY'.

TRESemme to bridge portfolio gap

Hair care brand TRESemme (Unilever acquired it from Alberto Culver in 2010), globally available in a range of shampoos, conditioners and styling products, is likely to be launched in India to target the urban market. The brand will be available in enlisted salons as well. Though HUL is the leader in hair care category, the gap between premium and mass is quite large, and TRESemme will help bridge this gap.

Premiumisation play

In Q1FY13, HUL's hair care portfolio posted double digit growth (Dove shampoo volume doubled and conditioners continued with high growth). We believe TRESemme to add to this growth momentum and aid margin expansion via its premium positioning.

Outlook and valuations: Positive; maintain 'BUY'

HUL remains one of our top picks in the consumer space. At CMP, the stock is trading at 31.0x and 27.0x on FY13E and FY14E, respectively. We reiterate 'BUY' on the stock and recommend 'Sector Outperformer' rating on relative return basis.

Financials

Year to March	FY11	FY12	FY13E	FY14E
Revenues (INR mn)	200,226	234,363	272,820	311,395
Rev. growth (%)	12.7	17.0	16.4	14.1
EBITDA (INR mn)	27,112	34,836	40,190	45,879
Net profit (INR mn)	22,961	27,907	32,588	37,378
Shares outstanding (mn)	2,180	2,162	2,162	2,162
Diluted EPS (INR)	9.6	12.4	15.1	17.3
EPS growth (%)	(1.1)	30.1	21.3	14.7
Diluted P/E (x)	48.9	37.6	31.0	27.0
EV/EBITDA (x)	36.5	27.8	23.8	20.5
ROAE (%)	77.6	83.9	77.1	69.7

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Low
Sector Relative to market	Equalweight

MARKET DATA (R: HLL. BO, B: HUVR IN)

CMP	: INR 467
Target Price	: INR 510
52-week range (INR)	: 478 / 309
Share in issue (mn)	: 2,161.8
M cap (INR bn/USD mn)	: 1,010 / 18,185
Avg. Daily Vol. BSE/NSE ('000)	: 2,777.2

SHARE HOLDING PATTERN (%)

	Current	Q4FY12	Q3FY12
Promoters %	52.5	52.5	52.5
MF's, FI's & Banks	9.9	10.3	11.4
FII's	20.1	19.4	18.7
Others	17.6	17.8	17.4

* Promoters pledged shares : Nil
(% of share in issue)

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Consumer Goods Index
1 month	2.8	(0.9)	2.6
3 months	11.9	(0.4)	6.0
12 months	44.2	(4.6)	23.8

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