

AN INVESTIGATIVE STUDY ON
MARKET POTENTIAL AND PERFORMANCE ANALYSIS
OF HINDUSTAN UNILEVER LTD

SIMEON S. SIMON BE, MBA, (PHD)*

ABSTRACT:

This study throws light on sales and profitability pattern, market potential and the performance level of Hindustan Unilever Limited. Hindustan Unilever Limited, the Indian arm of the Anglo-Dutch company was established as a result of the merger between the Dutch margarine company, Margarine Unie, and the British soap-maker, Lever Brothers, way back in 1930. The company was renamed in late June 2007 as "Hindustan Unilever Limited". The Anglo-Dutch company Unilever owns a majority stake in Hindustan Unilever Limited. Hindustan Unilever Limited (HUL), formerly Hindustan Lever Limited, India's largest consumer products company established in 1933 as Lever Brothers India Limited, was headquartered in Mumbai, India with its 16,000 employees headed by Harish Manwani, the non-executive chairman of the board. HUL efforts were also greatly rewarded with HUL brands finding place in the 'Top 10 brands' list for the year 2008 published in The Economic Times. For 70 years, Unilever, the undisputed market leader now encounters tough competition from Proctor & Gamble and Colgate-Palmolive. HUL is also known for its strong distribution network in India. In order to further strengthen its distribution in the rural areas and to empower the local women, HUL launched a project Shakti in 2000 in a district in Andhra Pradesh. As a matter of fact, HUL occupies its position as the market leader in Indian products such as tea, soaps, detergents, as its products have become daily household name in India. To mention few brands: Kwality Wall's ice cream, Lifebuoy, Lux, Breeze, Liril, Rexona, Hamam, Moti soaps, Pureit Water Purifier, Lipton tea, Brooke Bond tea, Bru Coffee, Pepsodent and Close Up toothpaste and brushes, and Surf, Rin and

*** Assistant Professor, School of Management, Karunya University, India.**

Wheel laundry detergents, Kissan squashes and jams, Annapurna salt and atta, Pond's talcs and creams, Vaseline lotions, Fair & Lovely creams, Lakme beauty products, Clinic Plus, Clinic All Clear, Sunsilk and Dove shampoos, Vim dish wash, Ala bleach and Domex disinfectant, Rexona, Modern Bread and Axe. Over the time HUL has founded a viable & competitive sourcing base worldwide in Home and Personal Care, Foods & Beverages category of products. HUL Exports offers high level of service with flexibility and aggressive responsiveness throughout the supply chain. With a dedicated organizational structure to support this endeavor, there has been remarkable business growth. Intrinsic cost reduction in supply chain along with appropriate technology and competitive capital investment while delivering best quality makes possible for HUL to position itself as a key sourcing hub in FMCG goods inasmuch as to become a preferred partner for Global customers. HUL's key focus in the exports business is on two broad categories-- in Home & Personal Care (HPC) and Food and Beverages (F&B). It also focuses on becoming a preferred supplier to both non-Unilever and Unilever clients in three categories – Branded Rice, Marine Products and Castor and its Derivatives, in which, India has competitive advantage. HUL enjoys international recognition for its quality, reliability and its promptness of service. HUL's Exports geography comprises, at present, countries like Europe, Asia, Middle East, Africa, Australia, and North America etc. Here in this research, the performance analysis was undertaken by the researcher taking 10 year financial data from 2002-2012 and the key financial ratios were analyzed. The SWOT analysis was done to know the threat & opportunities of HUL in present market structure. The future opportunities for FMCG products were taken into account considering the increased disposable income of customers to forecast the future demand of HUL.

Key words: (HUL's Product line, Competitor evaluation, Key Financial Ratios, Performance analysis, Future opportunities, SWOT analysis).

RESEARCH OBJECTIVE AND DESIGN:

The primary objective of this study is to evaluate the sales growth for the past ten years till 2012 and to conduct the performance evaluation of the company, as well as to analyze the demand pattern for future. Other secondary objectives are to conduct market structure analysis, and SWOT. Secondary data was collected from the company profile and websites.

HUL PRODUCT LINE:**1. FOOD DIVISION**

Unilever is one of the leading companies in the food division with its focus to add vitality to human life by meeting basic needs of people everywhere, through branded products that make people enjoy food, enjoy health, and enjoy life. Unilever is a global leader in savory and dressings, with strong brands rooted in taste, including *knorr*, *hellmann's*, *calvé*, *wishbone*, *amora* and *bertolli* and were sold over in 100 markets. Its product range includes soups, bouillons, sauces, snacks, noodles, frozen food and meals. A wider product range is marketed around the world with a variety of brand names and its combined dressings business. HUL leads in cooking products category with two key brand families with consistent growth in the world market. Healthy heart brands *becel* and *flora* deliver quality health benefits enabling people to enjoy life to the full. Family brands including *rama*, blue band and country crock are building a positioning based on tasty, nutritious foods for the family. HUL offers market tea-based beverages with 'Lipton'. Innovations, such as Lipton ice tea green and Lipton aqua, set to target the emerging market for healthy, refreshing beverages. HUL respond with products and brands across the portfolio including *slim•fast*, whose range includes meal replacement drinks, soups and snack bars. Hindustan Unilever also offers good nutrition in affordable formats with *Annapurna* and, under *Ades*, a range of tasty, nutritional, soy-based drinks. Hindustan Unilever is world's leading producer of ice cream, with sales in more than 40 countries, with its ice cream products under the heart brand, including *cornetto*, *magnum*, *carte d'or* and *solero*, being sold internationally. *Breyers*, *ben & jerry's*, *klondike* and *popsicle* are leading north American-based brands.

2. HOME AND PERSONAL CARE:

Concerning home and personal care, Unilever has delivered some of the world's finest, successful brands, such as *dove*, *lux*, and *surf* with its brand positioning on looking good, feeling good and delivering the best with a strong heritage in hygiene and personal care, combined with deep consumer insights, their brand portfolio adds vitality to life and delivers value. HUL being market leaders in laundry products in developing and emerging markets, hold number two positions in North America and most of Europe. Its products have been developed to meet the diverse range of consumer needs to clean and care for their clothes and they include tablets for convenience, traditional powders and liquids for washing by hand or machine. Tailored products, including soap bars, are available for lower income consumers such as *comfort*, *omo*, *radiant*, *skip*, *snuggle* and *surf*, and they are available in over 100 countries. Household care products are designed to meet most cleaning and hygiene needs around the home, where *cif* and *domestos* hold strong positions in the key markets in which they operate. HUL leads the global deodorants and skin cleansing markets, and are in the top three in daily hair care and skin care. Six global brands – *axe*, *dove*, *lux*, *pond's*, *rexona* and *sunsilk* – are the core products in these categories, complemented by *suave*, mainly in North America, and 'health brands' such as *clear*, *lifebuoy* and *vaseline*, together with a selection of regional and local 'jewels'. In oral care, with strong positions in a number of countries in Europe and in developing and emerging markets, with *signal* and *close up toothpaste brands*, the market trend is poised to grow up. Its global prestige fragrance business is based on the *calvin klein* range, which includes *ck one*, *eternity* and *obsession*, complemented by ranges developed with other designers.

HUL COMPETITORS:

According to the market survey done by BUSINESS TODAY the top 10 companies of FMCG sector are given below.

1. Hindustan Unilever Ltd.
2. ITC (Indian Tobacco Company)
3. Nestlé India

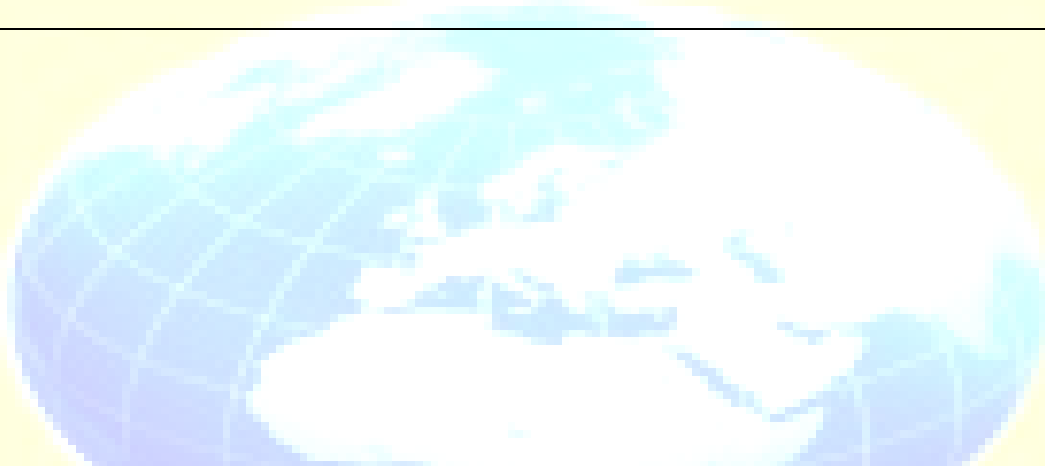
4. GCMMF (AMUL)
5. Dabur India
6. Asian Paints (India)
7. Cadbury India
8. Britannia Industries
9. Procter & Gamble Hygiene and Health Care
10. Marico Industries

KEY-FINANCIAL RATIOS UP TO MARCH-2012

Years	Mar-12	Mar-11	Mar-10	Mar-09	Dec-07
Debt-Equity Ratio	0.0	0.0	0.1	0.2	0.0
Long Term Debt-Equity Ratio	0.0	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	0.8	0.7
Fixed Assets	6.1	5.6	5.6	6.2	5.7
Inventory	8.7	8.3	7.7	7.7	8.4
Debtors	28.6	25.6	30.1	35.3	33.3
Interest Cover Ratio	2,798.6	12,238.6	404.9	119.5	82.7
PBIDTM (%)	15.9	15.3	16.5	14.9	15.3
PBITM (%)	15.0	14.2	15.5	14.0	14.3
PBDTM (%)	15.9	15.3	16.5	14.8	15.1
CPM (%)	12.6	12.2	13.1	12.5	12.6
APATM (%)	11.6	11.2	12.1	11.6	11.7
ROCE (%)	86.2	95.9	111.6	120.7	97.6

RONW (%)	87.2	88.0	94.8	114.1	82.6
PE	36.5	29.6	26.5	29.3	29.7
EBIDTA	3,688.5	3,158.1	3,010.5	3,221.1	2,491.7
DivYield	1.8	2.2	2.7	3.1	4.2
PBV	25.2	23.1	20.2	25.2	32.4
EPS	11.2	9.6	9.0	8.1	7.2

--



Peer Comparison

Company	Market Cap (Rs. in Cr.)	P/E (TTM) (x)	P/BV (TTM) (x)	EV/EBIDTA (x)	ROE (%)	ROCE (%)	D/E (x)
Hind. Unilever	97,488.82	43.15	27.72	24.11	87.2	86.2	0.00
Colgate-Palm.	16,133.68	41.25	37.06	23.63	109.0	134.4	0.00
Gillette India	7,685.21	119.10	12.80	44.34	14.7	22.9	0.00
P & G Hygiene	7,244.26	39.88	12.06	31.46	26.6	31.2	0.00
Reckitt Benck.	652.93	2.21	3.84	0.00	222.1	267.4	0.00
Rayban Sun Optic	333.78	13.98	1.75	0.00	13.4	20.0	0.00
Henkel India	313.28	57.23	2.18	30.43	-1.0	3.8	0.91

Source <http://www.indiainfoline.com>

STATEMENT OF PROFIT AND LOSS AND BALANCE SHEET- UP TO 2011-2012

Standalone	Rs. Crores									
STATEMENT OF PROFIT AND LOSS	2002	2003	2004	2005	2006	2007	2008-09 (18 months)	2009-10	2010-11 ^a	2011-12 ^a
Gross Sales [*]	10,951.61	11,096.02	10,888.38	11,975.53	13,035.06	14,715.10	21,649.51	18,220.27	20,285.44	22,800.32
Other Income	384.54	459.83	318.83	304.79	354.51	431.53	589.72	349.64	627.38	659.08
Interest	(9.16)	(66.76)	(129.98)	(19.19)	(10.73)	(25.50)	(25.32)	(6.98)	(0.24)	(1.24)
Profit Before Taxation @	2,197.12	2,244.95	1,505.32	1,604.47	1,861.68	2,146.33	3,025.12	2,707.07	2,730.20	3,350.16
Profit After Taxation @	1,731.32	1,804.34	1,199.28	1,354.51	1,539.67	1,743.12	2,500.71	2,102.68	2,153.25	2,599.23
Earnings Per Share of Re. 1#	8.04	8.05	5.44	6.40	8.41	8.73	11.46	10.10	10.58	12.46
Dividend Per Share of Re. 1#	5.16	5.50	5.00	5.00	6.00	9.00	7.50	6.50	6.50	7.50
[*] Sales before Excise Duty Charge @ Before Exceptional/Extraordinary items # Adjusted for bonus ^a 2010-11 and 2011-12 based on Revised Schedule VI										
BALANCE SHEET	2002	2003	2004	2005	2006	2007	2008-09 (18 months)	2009-10	2010-11 ^a	2011-12 ^a
Fixed Assets	1,322.34	1,369.67	1,517.56	1,483.53	1,511.01	1,708.14	2,078.84	2,436.07	2,457.86	2,362.92
Investments	2,364.74	2,574.93	2,229.56	2,014.20	2,413.93	1,440.80	332.62	1,264.08	1,260.67	2,438.21
Net Deferred Tax	269.92	267.64	226.00	220.14	224.55	212.39	254.83	248.82	209.66	214.24
Net Assets (Current and Non-current)	3,717.17	3,843.03	3,563.02	3,362.56	3,796.09	3,527.76	3,483.45	3,583.52	3,659.52	3,512.93
Share Capital	220.12	220.12	220.12	220.12	220.68	217.74	217.99	218.17	215.95	216.15
Reserves & Surplus	3,438.75	1,918.60	1,872.59	2,085.50	2,502.81	1,221.49	1,843.52	2,365.35	2,443.57	3,296.78
Loan Funds	58.30	1,704.31	1,471.11	56.94	72.60	88.53	421.94	-	-	-
	3,717.17	3,843.03	3,563.82	3,362.56	3,796.09	3,527.76	3,483.45	3,583.52	3,659.52	3,512.93
^a 2010-11 and 2011-12 based on Revised Schedule VI										

SOURCE : HINDUSTAN UNILEVER LTD ANNUAL REPORT:

2011-2012

ANALYSIS AND INTERPRETATION:

During the year 2011, the domestic consumer business grew by 18% with 9% underlying volume growth. Profit before Interest and Tax. (PBIT) grew by 25% with PBIT margin improving 140 basis points. Profit after Tax but before exceptional items, PAT, grew by 20% to Rs.2, 592 crore with Net Profit at Rs.

2, 691 crore growing 17%. Customer centric and market driven approach of HUL helped to perform better and grow bigger day by day with the faster innovation of almost of 60% portfolio of businesses. With the superiority of products, HUL has added one million new stores, doubled the coverage areas and has taken the new products to the remote corners of the globe. As a matter of fact, HUL performance in 2011 was robust, consistent and steady throughout the year by their relentless efforts.

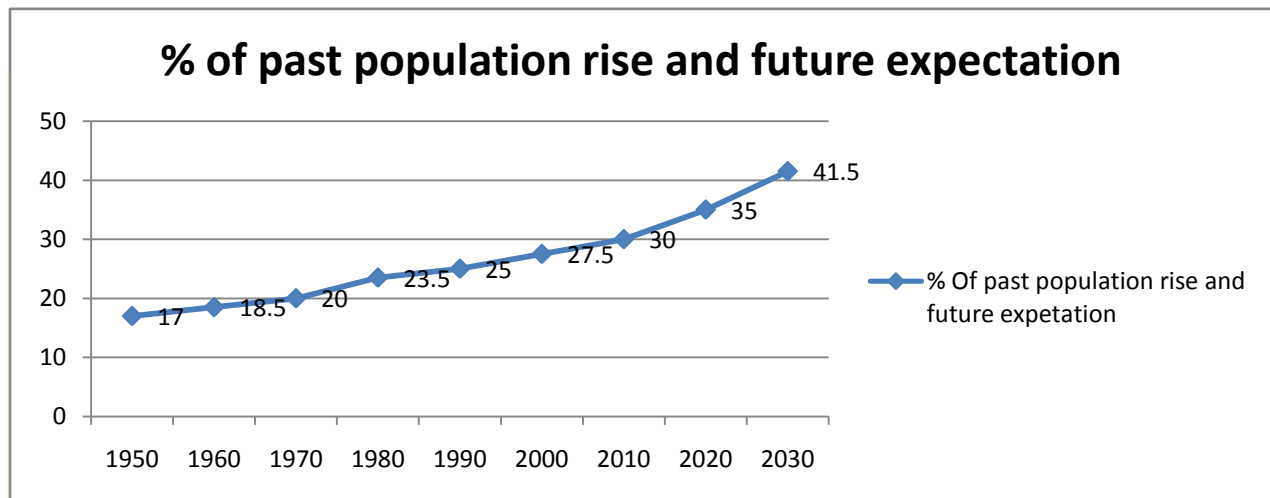
The table above shows the sales and profit figures of HUL from the year 2002 to 2012. This is evident that both profit and sales of the company rose from the year 1998 till 2001, but in the year 2002, the sales fell considerably but then there was steady rise thereafter in the profit of the company till 2007. In the year 2004, there was a steep fall in the profit of the company and from the year 2005 onwards there was a slow but steady rise in the profit of the company. HUL had to necessarily to expand its market in rural India. It is believed that there was very aggressive advertising campaign by ITC in the very same year 2004 to set itself prominent in the market and this could have affected HUL who was enjoying the position of market leader till then, and resulted in the fall of profit. With consistent upward trend thereafter, presently the company is enjoying an annual turnover of around Rs. 21,736 crores (financial year 2011 - 2012). Indeed, HUL is a subsidiary of Unilever, one of the world's leading suppliers of fast moving consumer goods with strong local roots in more than 100 countries across the globe with annual sales of about *€46.5 billion in 2011*.

FUTURE OPPORTUNITIES OF HUL

India is a fast developing country with a huge population whose per capita income is growing rapidly and there is huge opportunity for FMCG companies

The opportunities are as follows:

- Increasing per capita income is driving FMCG growth in India
- India's consuming class is growing rapidly
- Changing consumption pattern: Per capita income of Indian customer is increasing and FMCG products are relatively elastic in nature hence the expected sale should increase.



(Above graph shows the past population and expected future population rise, data are collected from the research made by govt. of INDIA). Here in the above graphs we can see that there is huge scope for FMCG products and since HUL is the market leader in India, there is vast scope for market exploitation.

SWOT ANALYSIS CONCERNING HUL

Strengths:

- Variety of products
- Strong Distribution Network
- High Brand image
- Quality Management
- Innovation and R&D strength

Threats:

- a) High end Competitors
- b) Proctor & Gamble
- c) Pantene
- d) Dabur
- e) Babool
- f) Dabourlal Dent Manjan
- g) Reckitt Benckiser
- h) Dettol
- i) Palmolive
- j) Colgate, Nirma

Opportunities:

- a) Huge Market
- b) Increasing per capita income
- c) Increasing consumption pattern
- d) High Potential for making more impact of its brand image.
- e) Emerging Technology e.g. in water purifiers

Weakness:

- a) Not able to compete with local competitors in the rural market
- b) No focus on upper class population
- c) Pricing policy has to be improved

CONCLUSION:

Hindustan Unilever, a leading FMCG company in India for last three consecutive years has shown an accelerated growth in FMCG portfolio. Inasmuch as Customers of India spend more in FMCG, so much so, their standard of living is day by day getting higher. Evidently HUL has placed itself successfully in the position of market leader in FMCG products. Despite the fact that there was some downfall in sales and profit of the company in the beginning of this decade, thereafter HUL has shown steady considerable rise in both sales and profit. The future of the company is also looking bright even as the FMCG market in India is still expanding more in order to conclude that HUL will be able to secure its number one position in FMCG products in the future. HUL has also started project SHAKTI that has provided it direct reach to rural market. This may be considered as a revolutionary step since the urban market is reaching its saturation level and there is a huge scope of exploring rural market. This will also be helpful not only increasing its market share but also to fight competition. With the strong distribution network, innovation from its R&D, and customer centric approach, HUL's products touches two out of three Indian every day, reaching 80% households with direct coverage of one million outlets, having 2000 Suppliers and associates in 71 manufacturing locations, engaging 16000 employees, with 84% outlets in India, one of the world's leading suppliers of fast moving consumer goods with strong local roots in more than 100 countries across the globe with annual sales of about *€46.5 billion in 2011*. No wonder, Customer centric and market driven approach of HUL helped to perform better and grow bigger day by day with the faster innovation of almost of 60% portfolio of businesses.

BIBLIOGRAPHY:

- www.wikipedia.com
- www.oppapers.com
- www.hul.co.in
- www.unilever.com
- www.indiainfoonline.com