



TM

23 October 2025

Hindustan Unilever

Demand/ margin outlook better – baked into valuations

RESULT UPDATE

Sector: FMCG **Rating:** HOLD
CMP: Rs 2,601 **Target Price:** Rs 2,650

Stock Info

Sensex/Nifty	84,556/ 25,889
Bloomberg	HUVR IN
Equity shares (mn)	2350
52-wk High/Low	Rs 2,780/2,136
Face value	Rs 1
M-Cap	Rs 6,111bn/US\$ 70bn
3-m Avg Turnover	US\$ 44mn

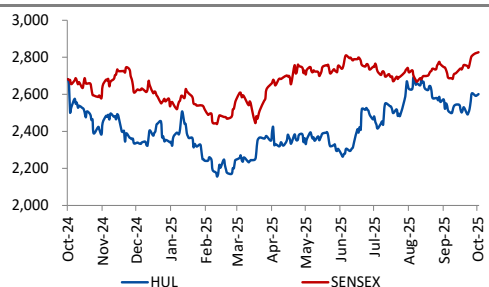
Financial Snapshot (Rs mn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	655,717	694,852	748,752
PAT	102,248	109,803	120,679
EPS (Rs)	43.5	46.7	51.4
PE (x)	59.8	55.7	50.6
EV/EBITDA (x)	39.9	37.0	33.7
P/BV (x)	11.2	10.9	10.7
EV/Sales	9.2	8.7	8.0
RoE (%)	20.6	21.7	23.3
RoCE (%)	27.0	28.3	30.3
NWC (days)	-17	-17	-16
Net gearing (x)	(0.2)	(0.2)	(0.2)

Shareholding Pattern (%)

	Sep 25	Jun 25	Mar 25
Promoter	61.9	61.9	61.9
–Pledged	-	-	-
FII	10.8	10.2	10.6
DII	15.6	16.0	15.5
Others	11.7	11.9	12.0

Stock Performance (1-year)



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Sustained pickup in key categories: Hindustan Unilever (HUL) delivered a slight beat on 2QFY26 operating earnings with in-line revenues, in a quarter marred by GST-related trade disruptions. Revenues grew 2% YoY on flat volumes; pricing was a combination of (1) hikes in soaps and beverages, but (2) cuts in Home Care to pass on raw material benefits and maintain competitiveness. Management indicated that **GST-related trade destocking and delayed consumer buying impacted volume growth by 2pp**. However, **more positively, performance seems to be on a consistent upswing** (continuing from 1Q26) in key categories of: **(1) soaps** with sequential improvement called out (competitiveness improving in *Lifebuoy* per HUL), double-digit growth in premium soaps; **(2) skin care** with high-single digit growth, sturdy winter loading, new *Glow & Lovely* launch *GlassBright* exceeding expectations; **(3) nutrition** with early green shoots visible in *Horlicks* (low-single digit volume growth) on the back of price cuts in earlier quarters; and **(4) tea** with price cuts (tracking lower commodity costs) lifting volume growth and the price-cost gap moderating.

Categories of detergents, dishwash, floor cleaners (Home Care) performed well with mid-single digit volume growth; HUL emphasized that price cuts here would also phase out in 1-2 quarters, benefiting value growth. Sales in hair care, oral care, packaged foods and ice creams declined due to GST-related disruptions. However, HUL expects these disruptions to give way to trade normalization in November'25, **and sees a sequentially-better 2HFY26 from a demand perspective**. It sees clear potential for volume/premiumization-led improvement in categories of soaps, laundry, dishwash, hair, foods and beverages.

Margins looking up QoQ: Gross margin (GPM) declined 20bps YoY but expanded 130bps QoQ to 51.4% largely due to narrower price-cost gaps in key categories of tea and soaps. Management expects pricing growth in low-single digits going forward. Operating margin (OPM) declined 85bps YoY but expanded 45bps QoQ to 23.0%; **management reiterated its guidance of near-term OPMs at 22-23%, with a further upward kicker of 50-60bps** accruing post-demerger of the ice cream business (from 3Q26 onwards, with low-single digit margins in that business getting separated). HUL expects no further impact of GST on margins. 2Q26 EBITDA/PAT declined 2%/4% YoY.

Views: We believe a confluence of improving demand trends in key categories (soaps, nutrition, skin, tea, detergents) can drive meaningful uptick in HUL's volume growth, which likely gets accentuated over FY27E-FY28E as HUL rejigs its portfolio to expand into high-growth categories (premium beauty, laundry/dishwash liquids, bodywash, international foods, high-science products in nutrition) and launches products to extract growth in portfolio gaps (such as *Comfort Perfume Deluxe*, *Oziva* skin care supplements, *Horlicks Pro Fitness*). We also expect a pickup in OPM over 2H26-FY28E driven by (1) ice cream business demerger, (2) mix improvement and (3) better operating leverage as volumes pick up. However, with valuations looking full (stock trades at P/E of 56x on FY27E EPS), we remain cautious on the name.

Valuation: We lower our FY26E-FY28E revenue (and PAT) estimates by 1-4% mainly to factor in separation of the ice cream business, and build revenue/PAT CAGR of 6%/5% over FY25-FY28E. We maintain our HOLD rating; we roll forward valuation to September-2027E EPS (from June-2027E) and value the stock at P/E of 54x (in-line with its past long-period average), leading to a TP of Rs 2,650 (vs Rs 2,575 earlier).

2QFY26 Result highlights

- On consolidated basis Revenue/EBITDA/Adj.PAT growth of +2.0%/-1.7%/-4.1% YoY respectively led by flat volume growth, with mid-single digit volume growth in Home Care, flat volumes in Beauty&Wellbeing, high-single digit volume decline in Personal Care and low-single digit volume growth in Foods. Standalone value growth of 0.5% YoY.
- Overall revenue growth of 2% YoY as a result of 1.2% decline in home care, 9.1% growth in beauty & wellbeing, 0.6% growth in personal care and 1.7% growth in foods.
- Overall gross margin contracted 19bps YoY to 51.4%, impacted by RM inflation; EBITDA margin down by 86bps YoY to 23.0% with higher A&P costs (+10.7% YoY, +80bps YoY as % of sales) and other expenses (+5.1% YoY, +40bps as % of sales).
- EBIT margin grew by 341bps in personal care, and declined by 32bps/ 440bps/ 189bps YoY for home care/ beauty & wellbeing/ food & refreshment respectively.

Segmental Performance

- **Home care:** The segmental USG was flat YoY, and volumes grew in mid-single digit YoY on a strong base of high-single digit. Outperformance in liquid portfolio drove the volume growth in fabric wash. Premiumization and market development actions led to double-digit volumes in household care. In household care, liquid portfolio maintained strong double-digit growth.
- **Beauty & wellbeing:** The Beauty & Wellbeing delivered 5% USG and flat volume growth. The hair care sub-segment saw value decline YoY due to impact of GST rate rationalization. The skin care & colour cosmetics sub-segment grew in high-single digits; Health & Wellbeing maintained triple-digit growth.
- **Personal Care:** The USG was flat YoY and volumes declined by high-single digit. GST transition led to a flat value growth in skin cleansing. Premium soaps delivered double-digit growth. In oral care, marginal decline due to GST impact. Close up grew in low-single digit.
- **Foods:** The food segment USG was up by 3% YoY and volumes grew by low-single digit. Overall beverages portfolio maintained double-digit growth momentum led by growth in tea and coffee. The company's tea portfolio delivered high-single digit growth driven by pricing and volume. Coffee portfolio continued delivering strong double-digit growth. Lifestyle Nutrition saw sustained positive volumes, but turnover declined due to pricing action. Packaged foods had muted performance. Extended monsoon and GST transition caused YoY value decline in Ice cream business.

Conference call takeaways

- **Demand outlook**
 - Demand trends seen stable. Both rural and urban markets are growing & contributing positively.
 - GST rate revisions impacted overall blended volume growth by 2 percentage points.

- Management will focus on volume-led growth, with premiumization across categories (especially soaps, dishwash, laundry, beverages).
- **Margins**
 - Gross margin saw sequential improvement (+130bps QoQ), driven by moderating price-to-cost gap.
 - Management maintains overall near-term OPM outlook of 22-23% and an additional improvement of 50-60bps expected post-demerger of ice cream business (from 3Q26 onwards – ice cream margins in low-single digits).
 - No further impact of GST expected on margins.
- **Personal care**
 - Soaps – performance improving sequentially, double-digit growth in premium soaps in 2Q.
 - Lifebuoy competitiveness improving.
- **Skin care**
 - Big bets delivering strong double-digit growth. Overall portfolio grew in high-single digits.
 - Winter loading has also been very good. Glow&Lovely – new launch of GlassBright performing ahead of expectations.
- **Nutrition**
 - Early green shoots visible in Horlicks with low-single digit volume growth. Consumer up-trading driven by price corrections of earlier quarters.
- **Tea**
 - Current pricing reflects lower commodity costs in the market. HUL will remain competitive here.
 - Price correction positively impacting volume growth (high-single digits).
- **Home care**
 - Earlier price cuts to lap in 1-2 quarters, benefiting value growth.
- **Minimalist & Oziva**
 - Oziva delivered triple-digit growth. Minimalist strong double-digit growth

Exhibit 1: Quarterly performance (Consolidated)

YE March (Rs mn)	Q2FY26	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Net Revenues	162,410	159,260	165,140	2.0	(1.7)
Cost of materials	55,400	47,950	53,260	15.5	4.0
(% of sales)	34.1	30.1	32.3		
Purchase of stock in trade	23,530	29,140	29,150	(19.3)	(19.3)
(% of sales)	14.5	18.3	17.7		
Gross Profit	83,480	82,170	82,730	1.6	0.9
Gross margin (%)	51.4	51.6	50.1		
Employee cost	7,500	8,220	7,260	(8.8)	3.3
(% of sales)	4.6	5.2	4.4		
Selling & admin	16,610	15,010	16,560	10.7	0.3
(% of sales)	10.2	9.4	10.0		
Others	22,080	21,010	21,730	5.1	1.6
(% of sales)	13.6	13.2	13.2		
EBITDA	37,290	37,930	37,180	(1.7)	0.3
EBITDA margin (%)	23.0	23.8	22.5		
Other income	1,470	2,190	2,010	(32.9)	(26.9)
PBIDT	38,760	40,120	39,190	(3.4)	(1.1)
Depreciation	3,580	3,380	3,610	5.9	(0.8)
Finance cost	1,290	1,100	1,270	17.3	1.6
PBT	33,890	35,640	34,310	(4.9)	(1.2)
Tax	8,760	9,470	8,920	(7.5)	(1.8)
ETR (%)	25.8	26.6	26.0		
JV & Associate	(120)	(100)	(130)		
Adjusted PAT	25,010	26,070	25,260	(4.1)	(1.0)
PATAMI margin	15.4	16.4	15.3		
Exceptional item	1,840	(160)	2,300		
Reported PAT	26,850	25,910	27,560	3.6	(2.6)
No. of shares (mn)	2,350.0	2,350.0	2,350.0		
Adj EPS (Rs)	10.6	11.1	10.7		

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly performance (Standalone)

YE March (Rs mn)	Q2FY26	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Net Revenues	155,850	155,080	159,310	0.5	(2.2)
Cost of materials	50,230	43,980	48,080	14.2	4.5
(% of sales)	32.2	28.4	30.2		
Purchase of stock in trade	27,100	31,950	32,810	(15.2)	(17.4)
(% of sales)	17.4	20.6	20.6		
Gross Profit	78,520	79,150	78,420	(0.8)	0.1
Gross margin (%)	50.4	51.0	49.2		
Employee cost	6,770	7,650	6,570	(11.5)	3.0
(% of sales)	4.3	4.9	4.1		
Selling & admin	15,270	14,640	15,560	4.3	(1.9)
(% of sales)	9.8	9.4	9.8		
Others	20,850	20,390	20,710	2.3	0.7
(% of sales)	13.4	13.1	13.0		
EBITDA	35,630	36,470	35,580	(2.3)	0.1
EBITDA margin (%)	22.9	23.5	22.3		
Other income	2,280	3,090	2,470	(26.2)	(7.7)
PBIDT	37,910	39,560	38,050	(4.2)	(0.4)
Depreciation	3,240	3,050	3,240	6.2	0.0
Finance cost	1,110	990	1,100	12.1	0.9
PBT	33,560	35,520	33,710	(5.5)	(0.4)
Tax	8,500	9,240	8,810	(8.0)	(3.5)
ETR (%)	25.3	26.0	26.1		
Adjusted PAT	25,060	26,280	24,900	(4.6)	0.6
PATAMI margin	16.1	16.9	15.6		
Exceptional item	1,840	(160)	2,420		
Reported PAT	26,900	26,120	27,320	3.0	(1.5)
No. of shares (mn)	2,350.0	2,350.0	2,350.0		
Adj EPS (Rs)	10.7	11.2	10.6		

Source: Company, Systematix Institutional Research

Exhibit 3: Segmental performance (Consolidated)

YE March (Rs mn)	Q2FY26	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Segment revenue					
Home care	56,640	57,310	57,770	-1.2%	-2.0%
Beauty & Wellbeing	37,320	34,210	36,310	9.1%	2.8%
Personal care	24,250	24,110	25,400	0.6%	-4.5%
Foods & Refreshments	38,690	38,030	40,160	1.7%	-3.7%
Others	5,510	5,600	5,500	-1.6%	0.2%
Net Sales	162,410	159,260	165,140	2.0%	-1.7%
Segmental EBIT Margin					
Home care	19.12%	19.44%	19.54%	-32 bps	-42 bps
Beauty & Wellbeing	28.43%	32.83%	27.51%	-440 bps	92 bps
Personal care	20.29%	16.88%	18.70%	341 bps	159 bps
Foods & Refreshments	16.26%	18.14%	16.24%	-189 bps	2 bps

Source: Company, Systematix Institutional Research

Exhibit 4: Segmental performance (Standalone)

YE March (Rs mn)	Q2FY26	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Segment revenue					
Home care	56,670	57,370	57,830	-1.2%	-2.0%
Beauty & Wellbeing	33,890	33,230	33,490	2.0%	1.2%
Personal care	24,260	24,120	25,410	0.6%	-4.5%
Foods & Refreshments	38,690	38,030	40,160	1.7%	-3.7%
Others	2,340	2,330	2,420	0.4%	-3.3%
Net Sales	155,850	155,080	159,310	0.5%	-2.2%
Segmental EBIT Margin					
Home care	18.53%	18.95%	18.90%	-42 bps	-37 bps
Beauty & Wellbeing	30.42%	33.73%	29.17%	-331 bps	125 bps
Personal care	20.07%	16.63%	18.50%	345 bps	158 bps
Foods & Refreshments	16.26%	18.14%	16.24%	-189 bps	2 bps

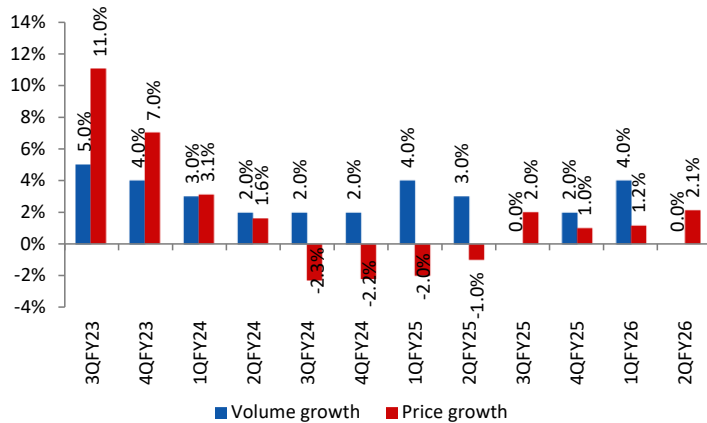
Source: Company, Systematix Institutional Research

Exhibit 5: Change in Estimates

Rs mn	Old Estimates			Revised Estimates			Variation (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	670,141	721,189	777,174	655,717	694,852	748,752	-2.2%	-3.7%	-3.7%
EBITDA	150,764	165,493	183,004	151,318	162,434	178,029	0.4%	-1.8%	-2.7%
EBITDA Margin	22.5%	22.9%	23.5%	23.1%	23.4%	23.8%			
Adj. PAT	102,872	113,167	125,528	102,248	109,803	120,679	-0.6%	-3.0%	-3.9%

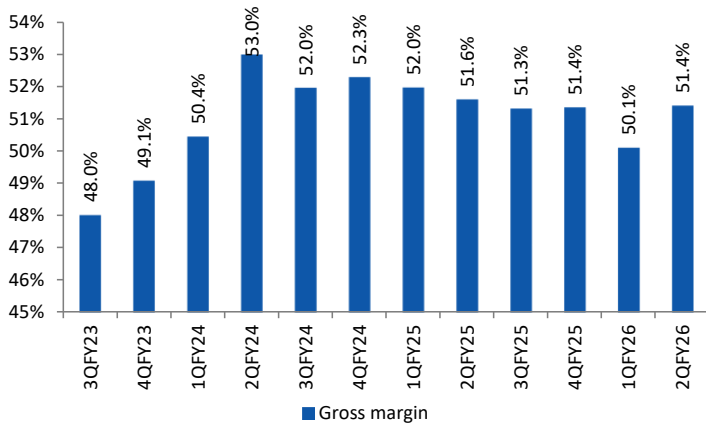
Source: Company, Systematix Institutional Research

Exhibit 6: Flat volume growth



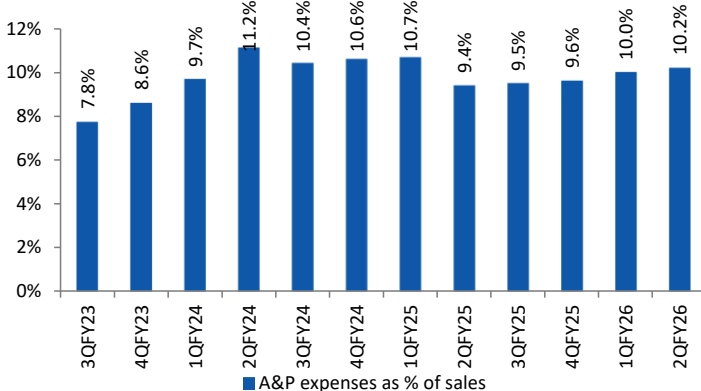
Source: Company, Systematix Institutional Research

Exhibit 8: Gross margin declined 20bps YoY (Consolidated)



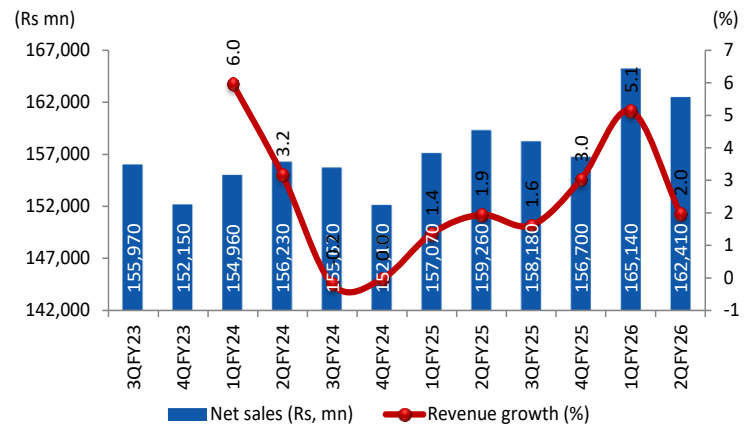
Source: Company, Systematix Institutional Research

Exhibit 10: A&P spends grew 10.7% year on year (Consolidated)



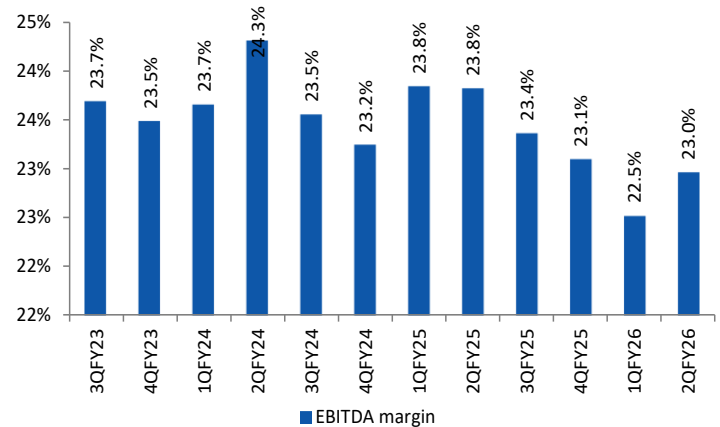
Source: Company, Systematix Institutional Research

Exhibit 7: Revenue grew 2.0% YoY (Consolidated)



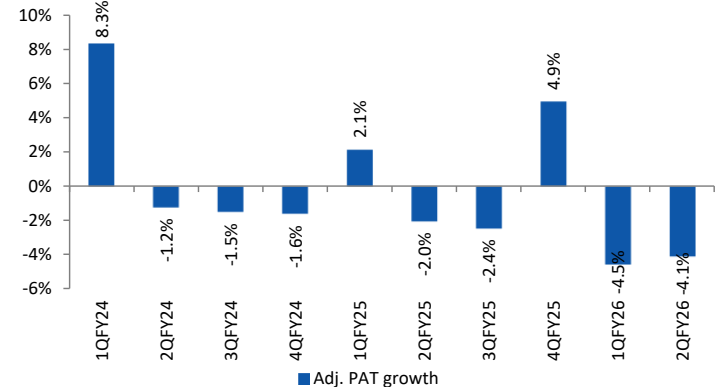
Source: Company, Systematix Institutional Research

Exhibit 9: EBITDA declined 85bps YoY (Consolidated)

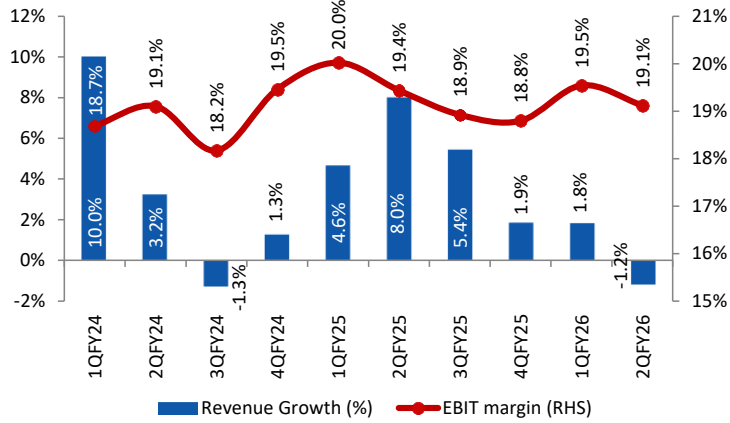


Source: Company, Systematix Institutional Research

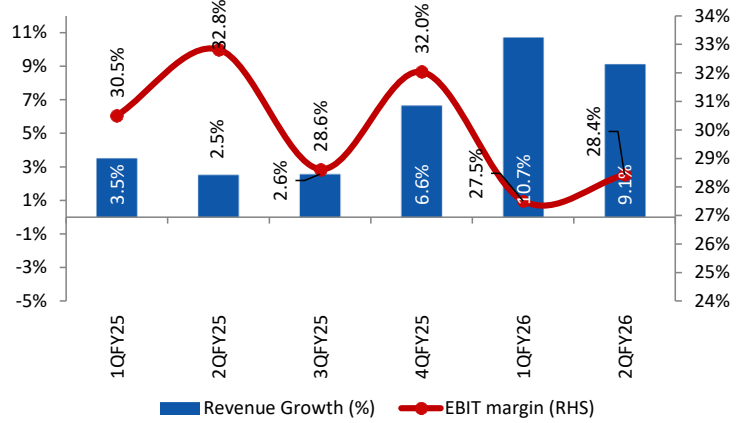
Exhibit 11: Adj. PAT decline of 4.1% YoY (Consolidated)



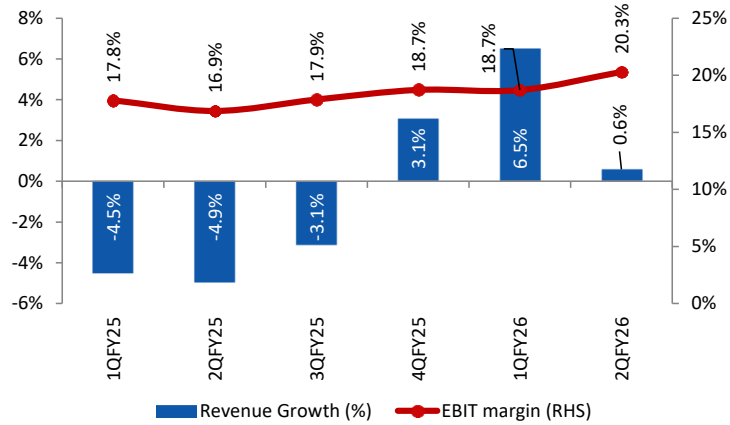
Source: Company, Systematix Institutional Research

Exhibit 12: Home care declined 1.2%, mid-single digit volumes

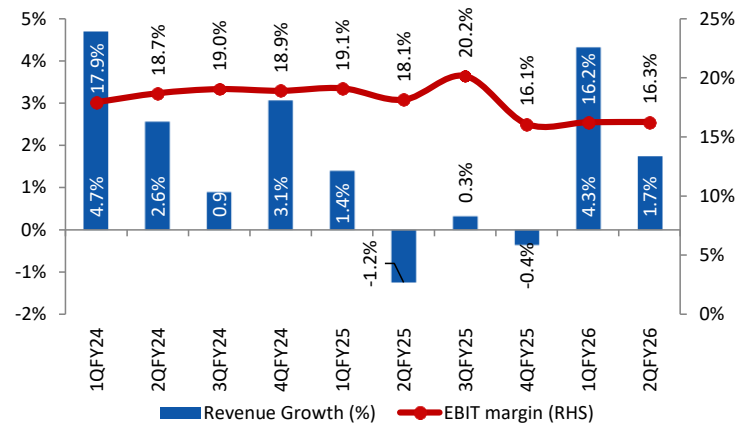
Source: Company, Systematix Institutional Research

Exhibit 13: Beauty & Wellbeing grew 9.1%, flat volume growth

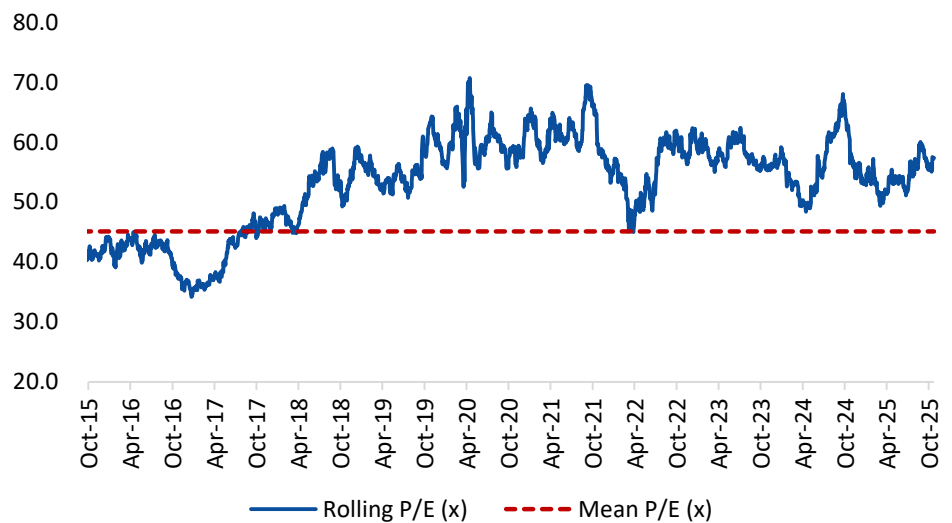
Source: Company, Systematix Institutional Research

Exhibit 14: Personal care up 0.6%, volume decline high-single digit

Source: Company, Systematix Institutional Research

Exhibit 15: F&R – grew 1.7%, volume growth low-single digit

Source: Company, Systematix Institutional Research

Exhibit 16: HUL currently trades at 57x 1-yr fwd P/E

Source: Bloomberg, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	6,18,960	6,31,210	6,55,717	6,94,852	7,48,752
RM Cost	1,92,460	1,93,050	2,01,961	2,11,930	2,25,374
Purchase of trad. Goods	1,05,140	1,12,730	1,18,029	1,25,073	1,34,775
Gross Profits	3,21,360	3,25,430	3,35,727	3,57,849	3,88,603
Employee costs	30,090	30,770	30,819	33,353	35,940
Selling & Admin costs	1,44,640	1,46,150	1,53,590	1,62,062	1,74,633
Total Expenses	4,72,330	4,82,700	5,04,398	5,32,418	5,70,723
EBITDA	1,46,630	1,48,510	1,51,318	1,62,434	1,78,029
Depreciation	12,160	13,550	14,592	15,648	16,704
Other income	8,110	10,170	8,136	8,543	8,970
EBIT	1,42,580	1,45,130	1,44,862	1,55,328	1,70,295
cost	3,340	3,950	5,135	5,392	5,661
PBT	1,39,240	1,41,180	1,39,727	1,49,937	1,64,633
Taxes	36,440	37,440	37,029	39,684	43,505
Share in JV/ MI	(90)	(300)	(450)	(450)	(450)
Adj. PAT	1,02,710	1,03,440	1,02,248	1,09,803	1,20,679
Extraordinaries/Exceptional	(60)	(3,050)	(2,300)	-	-
Reported PAT	1,02,770	1,06,490	1,04,548	1,09,803	1,20,679
No. of shares (mn)	2,350	2,350	2,350	2,350	2,350
Adj. EPS	43.7	44.0	43.5	46.7	51.4

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	1,39,260	1,44,150	1,39,727	1,49,937	1,64,633
Add: Depreciation	12,160	13,630	14,592	15,648	16,704
Add:	3,170	3,720	5,135	5,392	5,661
Less: taxes paid	(3,810)	(22,680)	(37,029)	(39,684)	(43,505)
Add: other adjustments	(4,820)	(12,080)	-	-	-
Less: WC changes	8,730	(7,880)	(6,081)	2,643	816
Total OCF	1,54,690	1,18,860	1,16,344	1,33,936	1,44,310
OCF w/o WC changes	1,45,960	1,26,740	1,22,425	1,31,293	1,43,494
Net Capital Expenditure	(14,570)	(12,620)	(17,000)	(12,000)	(12,000)
Change in investments	(42,920)	69,000	(1,500)	-	-
Int./Divid. Recev. & Others	4,250	8,350	(690)	(668)	(701)
Total ICF	(53,240)	64,730	(19,190)	(12,668)	(12,701)
Free Cash Flows	1,40,120	1,06,240	99,344	1,21,936	1,32,310
Share issuances	-	-	-	-	-
Change in borrowings	(850)	-	-	-	-
Dividends	(94,160)	(1,24,730)	(94,093)	(98,823)	(1,08,611)
Payment	(5,330)	(6,280)	(5,135)	(5,392)	(5,661)
Others	-	-	2,646	1,154	1,211
Total FCF	(1,00,340)	(1,31,010)	(96,582)	(1,03,061)	(1,13,061)
Net change in cash	1,110	52,580	572	18,208	18,548
Opening cash & CE	7,010	8,120	60,710	61,282	79,490
Closing cash & balance	75,590	75,540	76,112	94,320	1,12,868

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	2,350	2,350	2,350	2,350	2,350
Reserves and surplus	5,09,830	4,91,670	5,00,275	5,11,705	5,24,223
Net worth	5,12,180	4,94,020	5,02,625	5,14,055	5,26,573
Minority	2,050.0	2,070.0	2,070.0	2,070.0	2,070.0
Total Debt	130	10	10	10	10
Other LT liabilities	33,970	34,510	37,156	38,310	39,521
Total sources	5,48,330	5,30,610	5,41,861	5,54,445	5,68,174
Net Block	80,310	86,250	88,658	85,010	80,306
Intangible assets	4,57,130	4,57,100	4,57,100	4,57,100	4,57,100
Net deferred tax	(96,150)	(1,09,700)	(1,09,700)	(1,09,700)	(1,09,700)
Other assets	12,190	12,670	13,360	14,028	14,729
CWIP	10,250	10,090	10,090	10,090	10,090
Investments	45,600	37,530	39,030	39,030	39,030
Cash	75,590	75,540	76,112	94,320	1,12,868
Inventories	40,220	44,150	44,912	47,593	51,284
Debtors	29,970	38,190	41,319	41,882	45,130
Other current assets	21,880	25,120	30,155	30,729	32,291
Current Assets	92,070	1,07,460	1,16,387	1,20,203	1,28,706
Creditors	1,04,860	1,13,150	1,16,771	1,21,837	1,29,237
Other CL	23,800	33,180	32,404	33,798	35,718
Current Liabilities	1,28,660	1,46,330	1,49,176	1,55,635	1,64,955
Net Working Capital	(36,590)	(38,870)	(32,789)	(35,432)	(36,248)
Total Uses	5,48,330	5,30,610	5,41,861	5,54,445	5,68,174

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Yoy growth in Revenue	2.2	2.0	3.9	6.0	7.8
Yoy growth in EBITDA	3.6	1.3	1.9	7.3	9.6
Yoy growth in Net income	0.6	0.7	(1.2)	7.4	9.9
Effective tax rate	26.2	26.5	26.0	26.0	26.0
EBITDA margin	23.7	23.5	23.1	23.4	23.8
PAT margin	16.6	16.4	15.6	15.8	16.1
ROACE (pre-tax)	26.3	26.9	27.0	28.3	30.3
ROAE	20.3	20.6	20.6	21.7	23.3
Net debt to equity (x)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Inventory days	24	26	25	25	25
Debtors days	18	22	23	22	22
Payable days	62	65	65	64	63
NWC days	(20)	(18)	(17)	(17)	(16)
Per share numbers (Rs)					
Reported earnings	43.7	44.0	43.5	46.7	51.4
Dividend	42.0	53.0	40.0	42.1	46.2
Book Value	237.1	228.7	232.7	238.0	243.8
Valuations (x)					
Price to diluted earnings	59.5	59.1	59.8	55.7	50.6
EV / EBITDA	35.8	35.2	39.9	37.0	33.7
Price to sales	8.6	8.4	9.3	8.8	8.2

Source: Company, Systematix Institutional Research

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