ADD Hindustan Unilever

Decent 1Q, but cautious outlook to weigh on the stock

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Consumer Goods ▸ Result Update ▸ **July 29, 2026** | **CMP (Rs): 2,023 | TP (Rs): 2,350**

HUL reported decent 1QFY27 results, with revenue growth of 10% yoy (in-line). Volume growth of 5% yoy was in line with our estimate, but below consensus expectation. Among segments, Home Care led with 14% yoy underlying sales growth (USG) and high-single-digit underlying volume growth (UVG). Beauty and Wellbeing also reported double-digit yoy growth, while Personal Care and Foods reported USG of 4% and 7%, respectively. Margins remained under pressure, with gross margin down by 80bps yoy due to higher input costs. However, the EBITDA margin decline was lower, at 30bps yoy, due to cost controls (mainly lower A&P spends). The management expects margin pressure to continue due to elevated commodity prices, but expects overall FY27 performance to be better than in FY26, on the back of portfolio and channel transformation. HUL's stock corrected ~7% after 1Q results, making the risk-reward more favorable, in our view. We marginally adjust our estimates and maintain ADD with unchanged TP of Rs2,350 (43x Jun-28E EPS) due to cautious demand outlook (expectations of below-normal monsoon) and potential margin pressure, especially in 2Q due to elevated commodity prices.

1QFY27 results summary

Revenue grew 10% yoy on a favorable base and was in line with our and consensus estimates. Gross margin declined by ~80bps yoy to 49.5% (-70bps qoq) due to higher input costs. EBITDA grew 8% yoy (3% ahead of our estimate; in line with consensus) with EBITDA margin at 22.8% helped by lower A&P spends as a % of sales (-50bps yoy). Reported PAT (before exceptional items) grew 9% yoy.

Key takeaways from earnings call

1) Demand remained stable in 1Q, but going forward, monsoon levels and geopolitical developments will be key monitorables. 2) The management mentioned that overall macro remains resilient and a monsoon deficit of up to 15-20% can be manageable. 3) In 1Q, both rural and urban witnessed robust growth, with rural demand on an improving trajectory. 4) The premiumization trend is growing faster in rural. 5) Volume growth was impacted by a decline in soaps and tea, while the remaining portfolio witnessed growth. 6) The management expects overall FY27 performance to be better than in FY26 on the back of portfolio and channel transformation. EBITDA margin is expected to be at 22.5-23.5%. 7) Oziva had another soft quarter, as it is going through a transition phase. The management is bullish on the wellness category and expects growth to be non-linear. 8) Quick commerce continues to grow at a strong pace of 40-50% and remains a key growth driver. 9) HUL expanded offline distribution of digital-first brands – Minimalist and Simple. 10) While its premium portfolio is growing faster, the company remains competitive at the mass end as well, per management. 11) Tea prices have turned inflationary recently, and HUL plans to wait a bit before taking any pricing actions.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	16.2

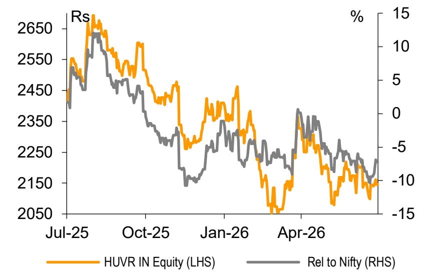
Stock Data	**HUVR IN**
52-week High (Rs)	2,737
52-week Low (Rs)	2,016
Shares outstanding (mn)	2,349.6
Market-cap (Rs bn)	4,753
Market-cap (USD mn)	49,578
Net-debt, FY27E (Rs mn)	(79,985.9)
ADTV-3M (mn shares)	2.0
ADTV-3M (Rs mn)	4,246.5
ADTV-3M (USD mn)	44.3
Free float (%)	38.1
Nifty-50	23,985.3
INR/USD	95.9

Shareholding,Jun-26	
Promoters (%)	61.9
FPIs/MFs (%)	9.5/17.0

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(7.0)	(11.7)	(15.9)
Rel. to Nifty	(6.7)	(11.6)	(13.4)

1-Year share price trend (Rs)



Hindustan Unilever: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	613,280	644,680	700,980	761,230	825,456
EBITDA	147,060	150,540	161,114	178,194	194,082
Adj. PAT	103,410	109,020	112,736	125,742	137,379
Adj. EPS (Rs)	44.0	46.4	48.0	53.5	58.5
EBITDA margin (%)	24.0	23.4	23.0	23.4	23.5
EBITDA growth (%)	0.3	2.4	7.0	10.6	8.9
Adj. EPS growth (%)	0.6	5.4	3.4	11.5	9.3
RoE (%)	20.6	22.2	23.2	26.1	28.8
RoIC (%)	27.4	29.4	29.5	33.6	37.5
P/E (x)	44.5	31.6	42.2	37.8	34.6
EV/EBITDA (x)	31.5	31.1	29.0	26.2	24.0
P/B (x)	9.6	9.8	9.8	9.9	10.0
FCFF yield (%)	2.3	2.1	2.5	2.7	3.0

Source: Company, Emkay Research

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Exhibit 1: Quarterly trend in key financials

(Rs mn)	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	yoy (%)	qoq (%)
Revenue	**157,570**	**159,190**	**164,410**	**163,510**	**173,410**	**10.1**	**6.1**
Cost of goods	**78,290**	**77,140**	**79,910**	**81,310**	**87,530**	**11.8**	**7.6**
Gross profit	**79,280**	**82,050**	**84,500**	**82,200**	**85,880**	**8.3**	**4.5**
Gross margin (%)	**50.3**	**51.5**	**51.4**	**50.3**	**49.5**	**-80bps**	**-70bps**
Employee expenses	6,890	7,250	9,140	8,470	7,690	11.6	-9.2
Advertising expenses	15,980	16,320	15,220	15,090	16,570	3.7	9.8
Other expenses	20,010	20,630	22,260	20,230	22,150	10.7	9.5
EBITDA	**36,400**	**37,850**	**37,880**	**38,410**	**39,470**	**8.4**	**2.8**
EBITDA margin	**23.1**	**23.8**	**23.0**	**23.5**	**22.8**	**-30bps**	**-70bps**
Depreciation	3,260	3,220	3,370	3,480	3,530	8.3	1.4
EBIT	**33,140**	**34,630**	**34,510**	**34,930**	**35,940**	**8.4**	**2.9**
EBIT margin (%)	21.0	21.8	21.0	21.4	20.7	-30bps	-60bps
Interest cost	1,220	1,240	880	760	750	-38.5	-1.3
Other income	2,010	1,470	1,390	2,640	1,880	-6.5	-28.8
PBT	**33,930**	**34,860**	**35,020**	**36,810**	**37,070**	**9.3**	**0.7**
Tax	5,260	9,110	8,010	9,220	9,520	81.0	3.3
Tax rate (%)	15.5	26.1	22.9	25.0	25.7	1020bps	60bps
Non-recurring items	-1,110	1,100	39,060	2,330	-820	**nm**	-135.2
PAT	**27,560**	**26,850**	**66,070**	**29,920**	**26,730**	**-3.0**	**-10.7**
Adj Profit	**28,810**	**25,630**	**26,980**	**27,530**	**27,310**	**-5.2**	**-0.8**
Net profit margin (%)	18.3	16.1	16.4	16.8	15.7	-250bps	-110bps

Source: Company, Emkay Research

Conference call takeaways

Demand environment resilient; market-share gains continue

- The management highlighted that the Indian FMCG demand environment remained stable despite macro uncertainties, with growth equally driven by volume and value for the company in 1QFY27.
- Rural demand has continued to improve over recent quarters, while urban demand also remained healthy.
- The company continued to gain turnover-weighted market share, reflecting competitive growth across the portfolio.

Category performance

- **Home Care** delivered its strongest performance in three years, with underlying sales growth (USG) of 14% yoy led by high-single-digit UVG, which implies mid-to-high single-digit pricing growth. Both fabric wash and household care reported double-digit volume-led growth.
- **Beauty and Wellbeing** USG accelerated to 12% yoy, led by high-single-digit UVG. Growth was broad-based across both premium and mass portfolios. Among segments, Hair Care led with double-digit growth, while Skincare and Colour Cosmetics grew in high-single-digits. While Minimalist continued to grow strongly in double-digits, Oziva had another soft quarter.
- The management highlighted strong performances from brands, including Simple, Vaseline, and Pond's, while it continued to accelerate offline distribution of digital-first brands, such as Minimalist and Simple.
- **Personal Care** had another lackluster quarter, with USG of 4% yoy, with low-single-digit decline in UVG and implied pricing growth of mid-to-high single-digits (on account of inflation in palm oil). Skin Cleansing reported mid-single-digit growth, which was pricing-led. Oral Care also grew in mid-single-digits.

- **Foods** witnessed a sequential improvement in USG to 7% yoy on a low base. While Coffee delivered double-digit volume-led growth, tea volumes declined, in our view (premium tea grew in low-single-digit UVG). Lifestyle nutrition reported double-digit growth, with Boost crossing Rs10bn in annual turnover – becoming the 21st brand of HUL to achieve this feat.

Commodity inflation to keep margins under pressure

- Commodity inflation remains elevated across palm oil, crude-linked inputs, and tea. The company is witnessing sequential input-cost inflation of 2-5% and plans to take further price hikes to mitigate its impact.
- The management reiterated its confidence in maintaining EBITDA margins within the guided range of 22.5-23.5% despite commodity price volatility.
- A&P spends as a % of sales declined yoy on the back of AI-enabled media optimization, which improved marketing effectiveness and returns on advertising spends.

Premiumization strategy intact

- Premiumization continues to be a key growth driver across categories, with robust growth in premium brands, while maintaining competitive growth in the mass portfolio.
- Premium categories are also witnessing faster growth in rural markets, reflecting improving consumer aspirations.

Future channels continue to outperform

- Quick commerce remains one of the fastest-growing channels for the company, with growth of around 40–50% despite increasing competitive intensity.
- The company continues to strengthen assortment, price-pack architecture, availability, and execution with platform partners, while leveraging quick commerce for consumer segmentation and premiumization.
- Growth remained broad-based across general trade, organized trade, e-commerce, and quick commerce, with general trade returning to growth during the quarter.

Innovation and portfolio expansion remain key growth levers

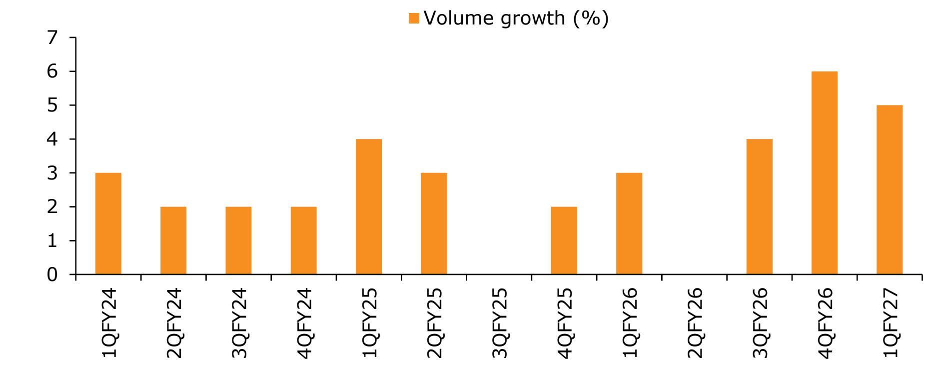
- The management reiterated its three-pronged innovation strategy comprising extensions of existing brands, introduction of global Unilever brands into India, and bolt-on acquisitions.
- During the quarter, the company expanded offline distribution for Minimalist and Simple and launched the Unilever Fragrance House in India.
- The management remains positive on the long-term wellness opportunity despite moderation in Oziva, noting that category growth is unlikely to be linear.
- Going forward, the company will continue allocating resources toward low-penetration categories, market development, channel expansion, and execution excellence to sustain competitive growth.

FY27 outlook remains constructive

- The management reiterated that FY27 is expected to be better than FY26, supported by stable consumer demand, investments in low-penetration categories, and continued execution improvements.
- While acknowledging weather-related uncertainties, the management believes improving rainfall progression and MSP increases should provide adequate support to rural demand.
- The management mentioned that the impact would be limited as long as rainfall deficit is within 15-20% and crude price is at $75-100.

Volume growth decelerated qoq to 5% due to drag from soaps and tea portfolios

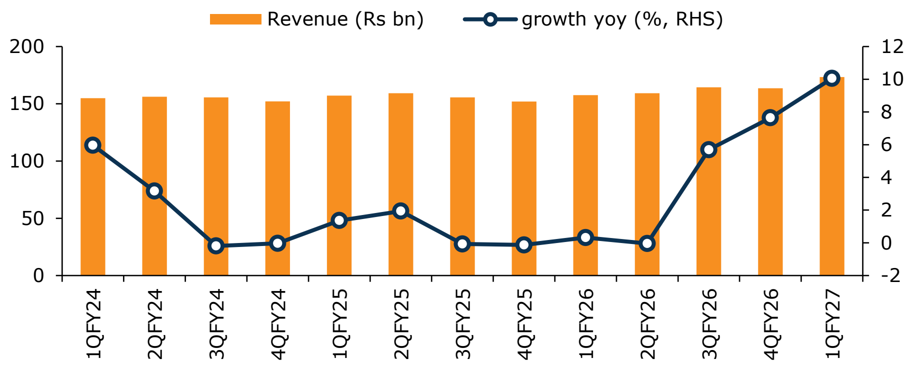
Exhibit 2: Volume growth came in at 5% yoy in line with our estimate but below consensus expectation



Source: Company, Emkay Research

Revenue growth reached double-digits after 12 quarters

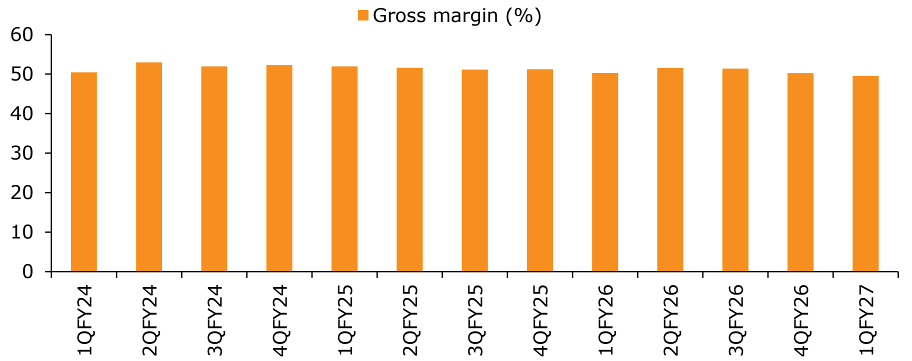
Exhibit 3: Revenue grew ~10% yoy, with balanced volume and pricing growth



Source: Company, Emkay Research

Gross margin was impacted by higher raw material prices

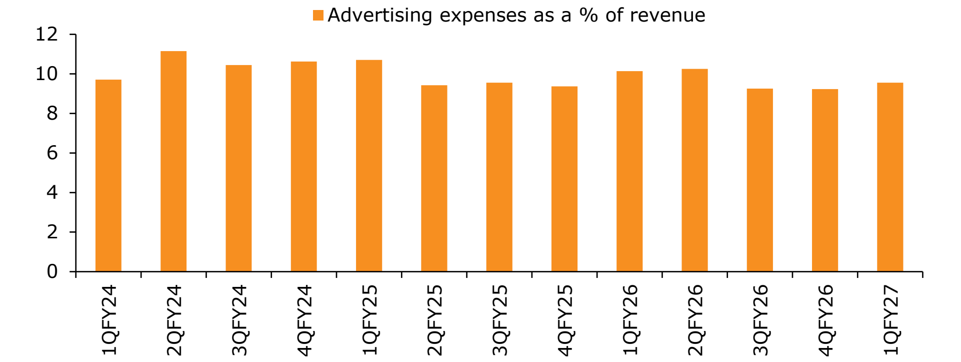
Exhibit 4: Gross margin declined by ~80bps yoy to ~49.5% (down ~70bps qoq)



Source: Company, Emkay Research

A&P spends as a % of sales declined by ~50bps yoy to 9.6%, but was up sequentially (+40bps)

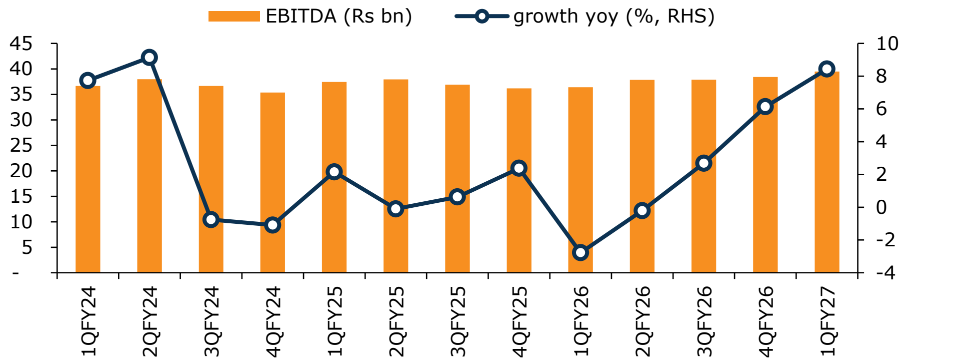
Exhibit 5: HUL stepped up A&P expenses sequentially



Source: Company, Emkay Research

EBITDA growth continued to improve sequentially, reaching 8% in 1QFY27

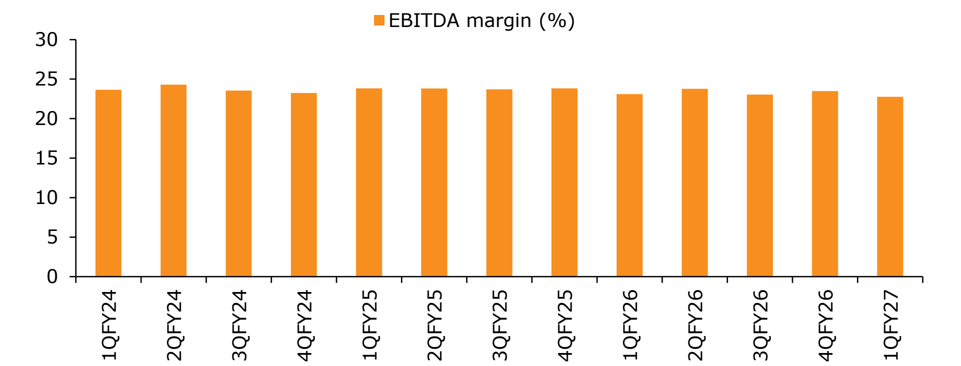
Exhibit 6: EBITDA grew ~8% yoy and was broadly in line with expectation



Source: Company, Emkay Research

EBITDA margin came in at 22.8%, within the guided range of 22.5-23.5%

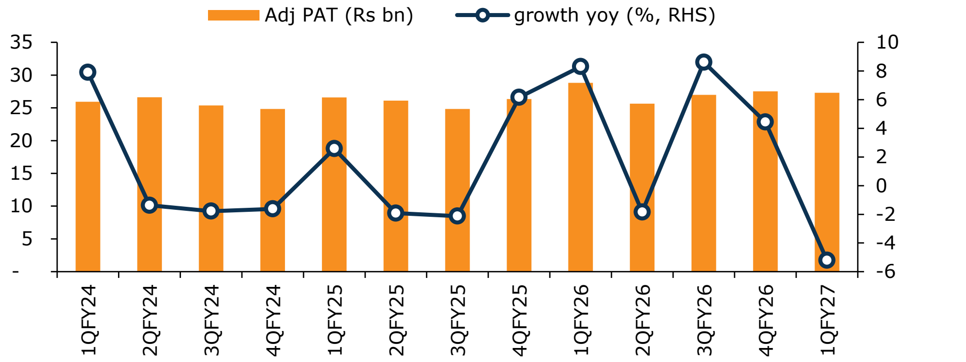
Exhibit 7: EBITDA margin contracted by ~30bps yoy to ~22.8%, led by gross-margin pressure, partially offset by a decrease in ad spends as a % of sales



Source: Company, Emkay Research

Effective tax rate increased to ~25.7% (vs ~15.5% in 1QFY26) on account of a one-off tax benefit in the base

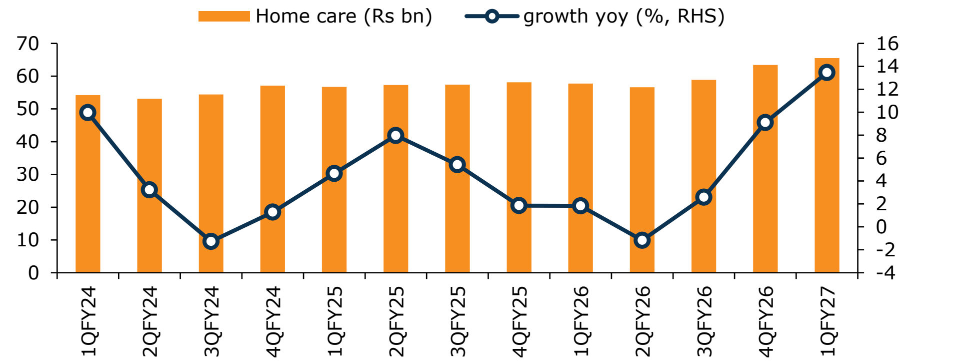
Exhibit 8: Adj PAT declined ~4% yoy, led by higher taxes



Source: Company, Emkay Research

Home care revenue grew 14% yoy—highest in many years—led by high-single-digit UVG

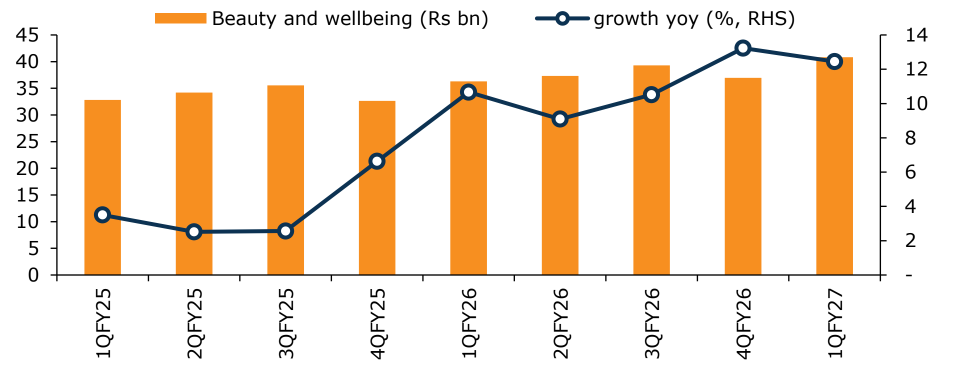
Exhibit 9: Home care delivered ~14% yoy revenue growth – strongest in past 3 years



Source: Company, Emkay Research

Beauty and wellbeing revenue growth remained strong at 12% yoy

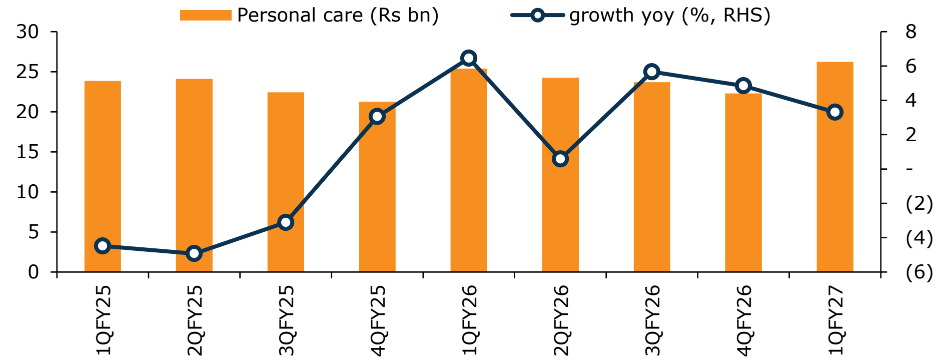
Exhibit 10: Beauty and wellbeing delivered ~12% yoy revenue growth, led by high-single-digit volume growth



Source: Company, Emkay Research

Personal care growth remained lackluster, at mid-single-digits, impacted by higher palm oil prices

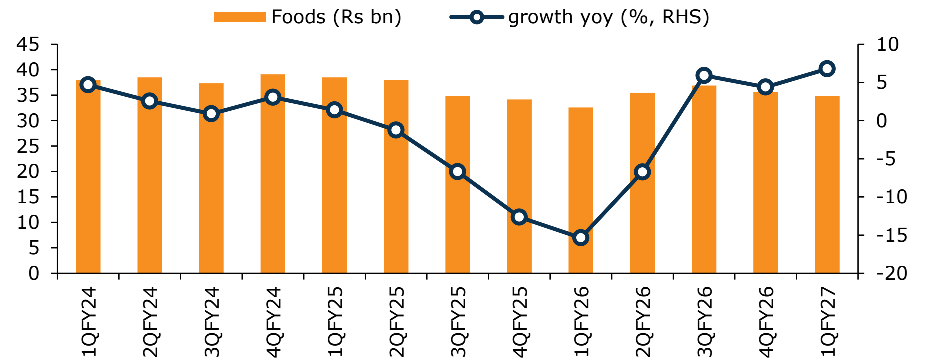
Exhibit 11: Personal care delivered ~4% revenue growth yoy, aided by pricing in soaps



Source: Company, Emkay Research

Foods delivered sequential improvement in growth, with double-digit growth in lifestyle nutrition portfolio

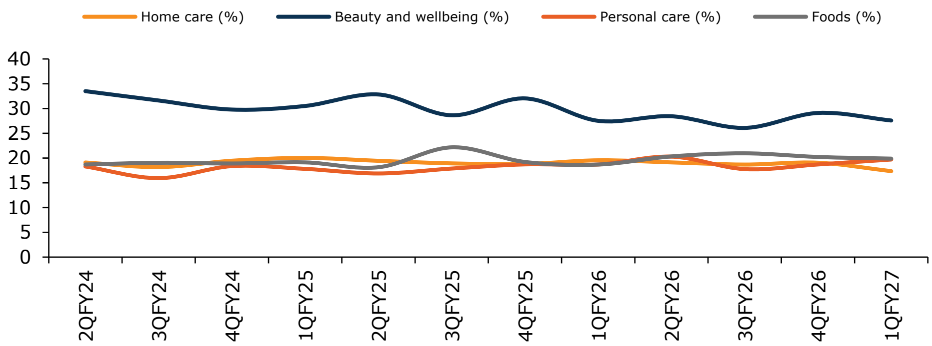
Exhibit 12: Foods delivered another strong quarter, making it the fifth quarter of sequential improvement



Source: Company, Emkay Research

Home care EBIT margin contracted yoy due to sharp inflation in input costs (mainly crude-linked); Beauty and wellbeing margin was flattish yoy, while Foods and Personal care saw an improvement yoy

Exhibit 13: EBIT margin trajectory for segments



Source: Company, Emkay Research

Exhibit 14: Changes in estimates

Rs mn	New			Old			Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	700,980	761,230	825,456	699,352	760,178	823,860	0%	0%	0%
EBITDA	161,114	178,194	194,082	159,829	178,483	194,220	1%	0%	0%
EBITDA margin	23.0%	23.4%	23.5%	22.9%	23.5%	23.6%	10bps	-10bps	-10bps
Adj PAT	112,736	125,742	137,379	112,373	126,609	138,187	0%	-1%	-1%
EPS (Rs)	48.0	53.5	58.5	47.8	53.9	58.8	0%	-1%	-1%

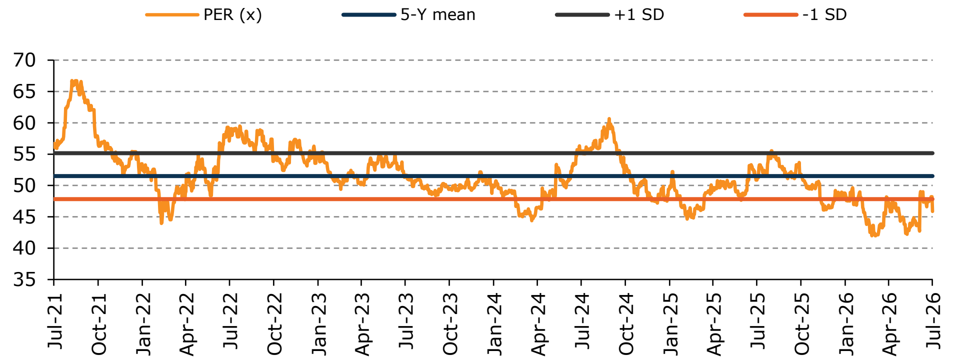
Source: Company, Emkay Research

Exhibit 15: Emkay vs consensus estimates

Rs mn	Emkay estimates			Consensus estimates			Emkay vs Consensus estimates		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	700,980	761,230	825,456	701,529	759,591	822,094	0%	0%	0%
EBITDA	161,114	178,194	194,082	162,175	179,349	196,905	-1%	-1%	-1%
EBITDA margin (%)	23.0%	23.4%	23.5%	23.1%	23.6%	24.0%	-10bps	-20bps	-50bps
Adj PAT	112,736	125,742	137,379	114,346	126,767	141,466	-1%	-1%	-3%
EPS (Rs)	48.0	53.5	58.5	48.2	53.4	59.1	0%	0%	-1%

Source: Company, Emkay Research

Exhibit 16: HUL trades below its -1SD level, implying attractive valuation



Source: Company, Emkay Research

Hindustan Unilever: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**613,280**	**644,680**	**700,980**	**761,230**	**825,456**
Revenue growth (%)	(0.9)	5.1	8.7	8.6	8.4
EBITDA	**147,060**	**150,540**	**161,114**	**178,194**	**194,082**
EBITDA growth (%)	0.3	2.4	7.0	10.6	8.9
Depreciation & Amortization	12,530	13,330	14,396	15,116	16,174
EBIT	**134,530**	**137,210**	**146,718**	**163,078**	**177,907**
EBIT growth (%)	-	2.0	6.9	11.2	9.1
Other operating income	7,550	7,050	7,403	7,773	8,161
Other income	10,170	7,510	8,304	9,546	10,501
Financial expense	3,810	4,100	4,305	4,520	4,746
PBT	**140,890**	**140,620**	**150,716**	**168,104**	**183,662**
Extraordinary items	3,300	41,570	0	0	0
Taxes	37,480	31,600	37,980	42,362	46,283
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**106,710**	**150,590**	**112,736**	**125,742**	**137,379**
PAT growth (%)	3.8	41.1	(25.1)	11.5	9.3
Adjusted PAT	**103,410**	**109,020**	**112,736**	**125,742**	**137,379**
Diluted EPS (Rs)	**44.0**	**46.4**	**48.0**	**53.5**	**58.5**
Diluted EPS growth (%)	0.6	5.4	3.4	11.5	9.3
DPS (Rs)	**53.0**	**53.0**	**50.0**	**55.0**	**60.0**
Dividend payout (%)	**116.7**	**82.7**	**104.2**	**102.8**	**102.6**
EBITDA margin (%)	24.0	23.4	23.0	23.4	23.5
EBIT margin (%)	21.9	21.3	20.9	21.4	21.6
Effective tax rate (%)	26.6	22.5	25.2	25.2	25.2
NOPLAT (pre-IndAS)	**98,742**	**106,376**	**109,745**	**121,982**	**133,075**
Shares outstanding (mn)	2,350	2,350	2,350	2,350	2,350

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	2,350	2,350	2,350	2,350	2,350
Reserves & Surplus	491,670	485,040	480,276	476,767	473,147
Net worth	**494,020**	**487,390**	**482,626**	**479,117**	**475,497**
Minority interests	2,070	2,690	2,690	2,690	2,690
Non-current liab. & prov.	(170)	(140)	(140)	(140)	(140)
Total debt	**10**	**0**	**0**	**0**	**0**
Total liabilities & equity	**495,930**	**489,940**	**485,176**	**481,667**	**478,047**
Net tangible fixed assets	543,350	574,280	574,884	577,575	579,208
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	10,090	8,800	8,800	8,800	8,800
Goodwill	-	-	-	-	-
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	**113,650**	**76,070**	**79,986**	**82,620**	**86,676**
Current assets (ex-cash)	106,180	109,910	117,053	127,159	137,932
Current Liab. & Prov.	302,700	307,440	325,283	345,709	367,354
NWC (ex-cash)	**(196,520)**	**(197,530)**	**(208,230)**	**(218,550)**	**(229,421)**
Total assets	**495,930**	**489,940**	**485,176**	**481,667**	**478,047**
Net debt	(113,640)	(76,070)	(79,986)	(82,620)	(86,676)
Capital employed	495,930	489,940	485,176	481,667	478,047
Invested capital	**346,820**	**376,750**	**366,654**	**359,025**	**349,786**
BVPS (Rs)	210.2	207.4	205.4	203.9	202.3
Net Debt/Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt/EBITDA (x)	(0.8)	(0.5)	(0.5)	(0.5)	(0.4)
Interest coverage (x)	38.0	35.3	36.0	38.2	39.7
RoCE (%)	**28.7**	**29.3**	**31.8**	**35.7**	**39.3**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	130,720	133,110	142,413	158,558	173,161
Others (non-cash items)	0	0	0	0	0
Taxes paid	(22,680)	(48,400)	(37,980)	(42,362)	(46,283)
Change in NWC	32,560	1,040	10,700	10,320	10,871
Operating cash flow	**118,860**	**109,990**	**132,417**	**144,665**	**157,109**
Capital expenditure	(12,620)	(13,320)	(15,000)	(17,807)	(17,807)
Acquisition of business	0	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**64,730**	**(33,610)**	**(6,697)**	**(8,261)**	**(7,306)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	(460)	0	0	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	(6,280)	(6,400)	(4,305)	(4,520)	(4,746)
Dividend paid (incl tax)	(124,730)	(101,240)	(117,500)	(129,250)	(141,000)
Others	-	-	-	-	-
Financing cash flow	**(131,010)**	**(108,100)**	**(121,805)**	**(133,770)**	**(145,746)**
Net chg in Cash	52,580	(31,720)	3,916	2,634	4,057
OCF	118,860	109,990	132,417	144,665	157,109
Adj. OCF (w/o NWC chg.)	86,300	108,950	121,718	134,345	146,238
FCFF	106,240	96,670	117,417	126,858	139,302
FCFE	102,430	92,570	113,112	122,338	134,556
OCF/EBITDA (%)	80.8	73.1	82.2	81.2	81.0
FCFE/PAT (%)	96.0	61.5	100.3	97.3	97.9
FCFF/NOPLAT (%)	**107.6**	**90.9**	**107.0**	**104.0**	**104.7**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	44.5	31.6	42.2	37.8	34.6
EV/CE(x)	9.4	9.5	9.6	9.7	9.8
P/B (x)	9.6	9.8	9.8	9.9	10.0
EV/Sales (x)	7.7	7.3	6.7	6.2	5.7
EV/EBITDA (x)	31.5	31.1	29.0	26.2	24.0
EV/EBIT(x)	34.5	34.1	31.9	28.6	26.2
EV/IC (x)	13.4	12.4	12.7	13.0	13.3
FCFF yield (%)	2.3	2.1	2.5	2.7	3.0
FCFE yield (%)	2.2	1.9	2.4	2.6	2.8
Dividend yield (%)	2.6	2.6	2.5	2.7	3.0
DuPont-RoE split					
Net profit margin (%)	16.9	16.9	16.1	16.5	16.6
Total asset turnover (x)	1.2	1.3	1.4	1.6	1.7
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**20.6**	**22.2**	**23.2**	**26.1**	**28.8**
DuPont-RoIC					
NOPLAT margin (%)	16.1	16.5	15.7	16.0	16.1
IC turnover (x)	1.7	1.8	1.9	2.1	2.3
RoIC (%)	**27.4**	**29.4**	**29.5**	**33.6**	**37.5**
Operating metrics					
Core NWC days	(117.0)	(111.8)	(108.4)	(104.8)	(101.4)
Total NWC days	**(117.0)**	**(111.8)**	**(108.4)**	**(104.8)**	**(101.4)**
Fixed asset turnover	1.0	1.0	1.1	1.1	1.2
Opex-to-revenue (%)	27.5	27.5	26.7	27.1	27.5

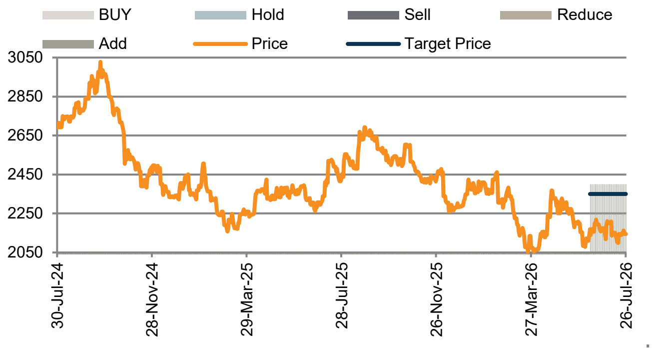
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
05-Jul-26	2,201	2,350	Add	Rajesh Kumar
10-Jun-26	2,170	2,350	Add	Rajesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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