

Onset of price war, tough duels, volume play...

8 April 2025

The detergent segment of Hindustan Unilever (HUVR) is witnessing promotions in online and modern trade (MT) channels, with consumer promotions of 20-60% YoY on premium liquid detergents and select powder SKUs. HUVR's focus on these channels has increased since Sep '24, given the rising salience (40-50% in top cities) and the ability to pass on promotions directly to consumers, unlike general trade (GT). We believe this will intensify competition in the category as other players respond. The focus is on volumes, however; it does pose a risk to potential revenue growth (in the Home Care segment) if the pricing aggression continues into FY26, as also portends margin pressure in the Home Care segment.

Current market dynamics of softer growth resembling CY00-03: The FMCG industry has continued to witness softer growth in the past few quarters. HUVR, a leader, has grown by 2% in FY24 and would grow at a similar rate in FY25E. Such growth trends of <3% in the past decade have been due to demonization (2.7% in FY17) and Covid (1.5% in FY20). A slower growth in the business on account of the overall slowdown in consumer spends was witnessed at HUVR in CY03 (sales growth of 1.9%).

The current scenario resembles the circumstances in CY00-03 on three counts: 1) overall slowdown in revenue was a result of a slowdown in general consumption and downtrading, 2) significant initiatives were taken up by HUVR to drive margin in the preceding years and 3) competitive intensity had spiked as companies looked to gain volume market share.

Detergents witnessing price wars: Early signs of similar competitive intensity have resurfaced – Thus, the promotions in liquid detergents and select SKUs in powders specific to MT and online channels (as companies focus on market share). Since Dec '24, HUVR has introduced *Unimart* schemes (additional consumer promotions in select large SKUs – 2-6kg /liter) sold in small MT outlets. Note that Procter & Gamble (P&G, Unlisted) has also increased promotions in MT and online channels, which clearly indicates rising competitive intensity in the detergent category.

A slowdown in consumption in 2002-03 had led to a spiked competitive intensity in detergents – P&G had adopted a predatory pricing to gain market share. In 2004, price cuts (20-30% YoY range) were seen in premium brands – *Airel*, *Tide* and *Surf Excel*. Similarly, in 2025, our channel checks indicate of promotions (20-35% range) in premium liquid detergents and select SKUs in powders as well.

HUVR seems to be focusing on MT and online channels to drive promotions given: 1) rising salience of these channels with strong growth potential versus GT, 2) in many of the top cities, the salience of these channels is at ~40-50% and 3) promotion schemes get transferred to consumers, which remains a risk in the GT channel. Further, many retailers do purchase through this channel.

Implications – Elara and consensus estimates at threat; risk to margin in store:

- ▶ **Revenue growth:** HUVR's Home Care portfolio has been growing ahead of the overall revenue growth recently. So, revenue growth assumption of high-single-digit in the Home Care segment seems at risk if this aggression continues in FY26.
- ▶ **EBITDA margin:** Margin expansion in the Home Care segment has been the key driver for earnings growth and stock performance through FY17-9MFY25 (EBIT margin expansion of c.780bps during this period). Increased competitive intensity would result in margin risk for the Home Care segment and HUVR overall.

While these trends are still budding, remain vigilant on related developments to assess the potential impact. Expect margin deterioration seen through CY03-05 likely to repeat in FY26 and pose a threat to Elara and consensus estimates.

Amit Purohit

Building Materials, FMCG, Paints
+91 22 6164 8594
amit.purohit@elaracapital.com

Associates
Rohit Harlikar
rohit.harlikar@elaracapital.com
Vidhi Puj
vidhi.puj@elaracapital.com



Exhibit 1: Intensifying competition and price wars – Current scenario resembles CY00-03

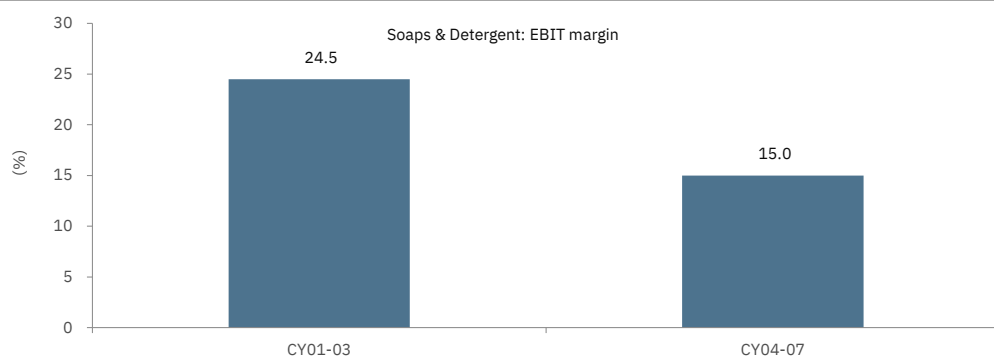
	CY00-03	FY23-25
HUVR growth (%)	-1.3	2 (till Q3FY25)
RM	Relatively benign	Relatively benign
Downtrading witnessed	Downgrading from premium to economy	Consumers shifting to smaller SKUs
Competition	Irrational (predatory pricing)	Early signs of competition
Margin expansion pre-slowdown	600bps (CY00-02)	240bps (FY18-24)

Source: Company, Elara Securities Research

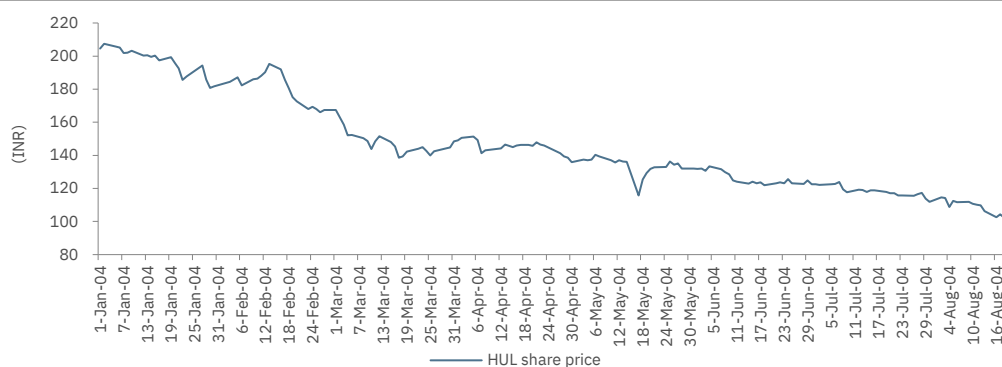
Exhibit 2: HUVR retaliated with equivalent price cuts to the ones initiated by P&G in 2004

P&G brands: Price cuts	SKU	MRP before price cuts	Revised MRP	Effective price cuts
Brand		(INR)	(INR)	(%)
Ariel	1kg	135	99	-27%
Ariel	500gm	70	50	-29%
Ariel	200gm	30	22	-27%
Tide	1kg	85	46	-46%
Tide	500gm	43	23	-47%
Tide	200gm	20	10	-50%
HUVR's response				
Price index	2002	Mar '04	Effective price cut	
Surf Excel	100	59	-41%	

Source: Company, Elara Securities Research

Exhibit 3: Soaps & Detergent – EBIT margin was significantly hit post the price war of 2004

Source: Company, Elara Securities Research

Exhibit 4: HUVR's share price had corrected by >50% post the price war in FY02-03

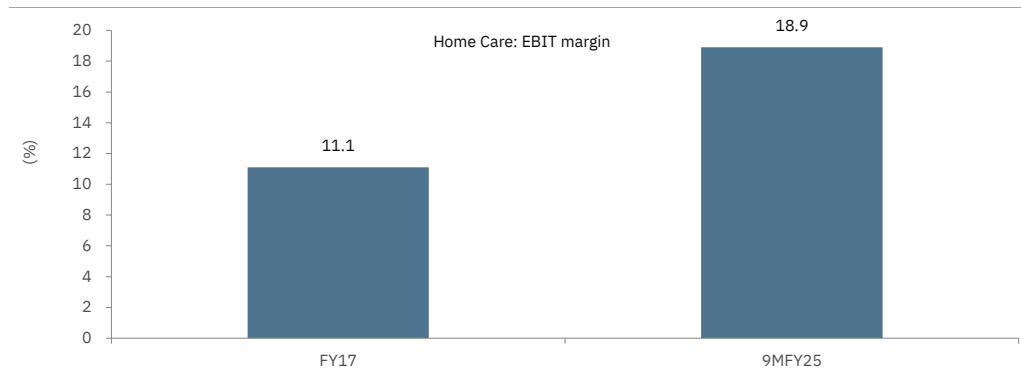
Source: Company, Elara Securities Research

Exhibit 5: HUVR has increased margin to retailers from 8% to 20-60% as compared with last year

HUVR's margin to retailer	Variant	Retailer margin (%)	
		Last year	Now
Powder detergent	4-6kg	8	25-30
Liquid detergent	2-6ltr	8	20-60

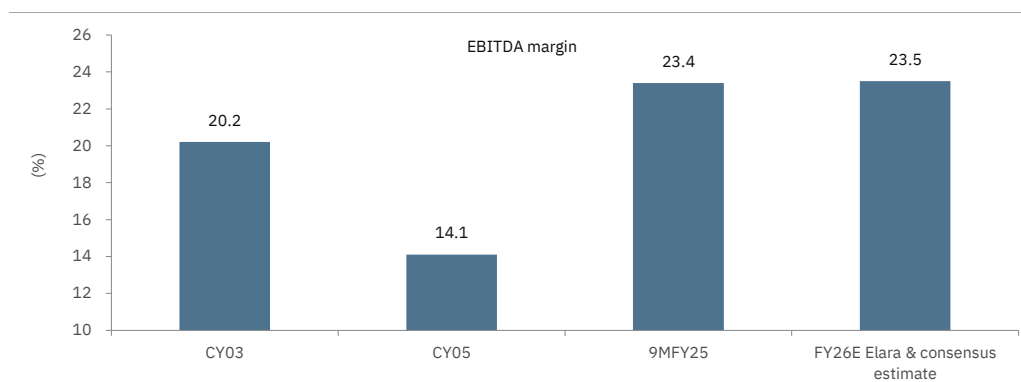
Source: Elara Securities Research

Exhibit 6: HUVR – Home Care margin has expanded significantly since FY17



Source: Company, Elara Securities Research

Exhibit 7: Margin deterioration seen through CY03-05 likely to repeat in FY26 and pose a threat to Elara and consensus estimates



Source: Company, Elara Securities Estimate

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India

Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe

Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA

Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific

Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047



Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

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