

Hindustan Unilever | BUY

2QFY26 pre-quarter sales update

HUL released a pre-quarter update on the current operating context and its corresponding impact on the performance of the company in the near term.

- **c.40% of HUL's portfolio sees benefit from GST rationalisation:** HUL highlighted that the company is ensuring GST benefits are passed on to consumers through price cuts and enhanced value across its portfolio, which has seen rationalisation in GST rates (benefit seen for c.40% of its portfolio). **Our checks suggest the company has implemented high-single-digit to low-double-digit price cuts across key beneficiary categories.**
- **GST transition impacts ordering activity in September:** As existing inventory with old prices in the trade channel (at distributor and retailer level) had to be cleared there has been a transitory impact in the quarter. Ordering activity was impacted in September due to: a) lower primary sales as distributors/retailers postponed the orders in anticipation of receiving new orders with revised MRP and b) lower ordering across the portfolio as consumers too delayed their pantry loading.
- **Flat to low-single-digit consolidated sales growth in 2QFY26:** Our channel checks suggest underlying demand trends in July and August were largely similar to that in 1QFY26. With GST transition-led impact in September, **HUL expects near flat to low-single-digit consolidated sales growth in 2QFY26.**
- **Impact to be seen in October too, stabilisation expected from November:** While the transition issue is more short term/transient in nature, considering the pipeline inventory the impact is expected to continue in October too and recovery is expected from November once prices stabilise.



Mehul Desai

mehul.desai@jmfl.com | Tel: (91 22) 66303065

Gaurav Jogani

gaurav.jogani@jmfl.com | Tel: (91 22) 66303085

Pooja Kubadia

pooja.kubadia@jmfl.com | Tel: (91 22) 66303074

Sumanyu Saraf

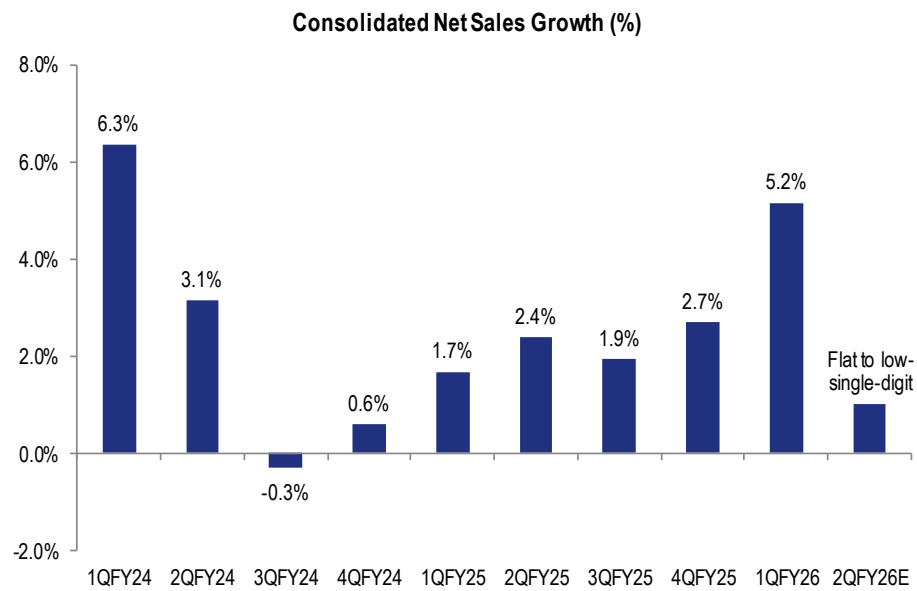
sumanyu.saraf@jmfl.com | Tel: (91 22) 66303077

Rajat Gupta

rajat.gupta@jmfl.com | Tel: (91 22) 66303077

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Exhibit 1. Snapshot of quarterly sales trajectory

Source: Company, JM Financial

Exhibit 2. Price cuts across key beneficiary categories

Product	SKU size	New MRP	Old MRP	% cut in MRP
Dove Hair Oil Rescue Shampoo	340 ml	435	490	11.2%
Dove Serum Bar	75 g	40	45	11.1%
Clinic Plus Strong & Long Shampoo	355 ml	340	393	13.5%
Lifebuoy Soap	75 g * 4	60	68	11.8%
Sunsilk Black Shine Shampoo	350 ml	370	430	14.0%
LUX Radiant Glow Soap	75 g * 4	85	96	11.5%
Closeup Toothpaste	150 g	129	145	11.0%
Lakme 9 to 5 P+M Compact	9 g	599	675	11.3%
Nissan Ketchup	850 g	93	100	7.0%
Kissan Jam	200 g	80	90	11.1%
Horlicks Chocolate	200 g	110	130	15.4%
Horlicks Women's Plus	400 g	284	320	11.3%
Boost	200 g	110	124	11.3%
BRU Coffee	75 g	270	300	10.0%
Knorr Tomato Soup	67 g	55	65	15.4%
Hellmann's Real Mayonnaise	250 g	90	99	9.1%

Source: Media Reports, Company, JM Financial

APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

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Rating	Meaning
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ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

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Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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