Hindustan Unilever | ADD

Resilient operating performance; pace of recovery in volumes will be key

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HUL's 2QFY26 Consol. sales grew 2% YoY with flat UVG (GST transition had 2% impact on growth). EBITDA was ahead of our/street est. by c.3-4% with margins at 23.2%; led by better gross margins (c.100bps ahead of our est.). Segmentally, beauty & wellbeing did well, while personal care (soaps)/home care (detergent) performance were weaker than envisaged. We like new CEO Priya Nair's emphasis on prioritising volume-led revenue growth and accelerate performance by sharpening focus on 4 strategic pillars – radical consumer segmentation, modernising core portfolio, strengthen sales capabilities (allocate more resources to e-comm, chemist/cosmetic stores) and scale up in high growth demand spaces. Management commentary remains optimistic on volume growth – expects uptick from H2 with step up in portfolio interventions backed by favourable macros. Although acceleration won't be immediate as restocking happens gradually. Hence, pace of channel restocking (likely normalisation of trading conditions from November) and onset of winters will be key monitorable in the near term. On the profitability front, management expects to sustain current level of margins (which is closer to upper end of its guidance of c.22-23%). Demerger of low margin ice-cream business (c.3% of sales & low-single-digit EBITDA margins) is expected in 3Q which should lead to 50-60bps improvement in reported EBITDA margins. While NTM valuation of 56.5x restricts upside, we stay constructive and expect execution to improve under new CEO (we estimate c.10% EPS CAGR over FY26-28E). We cut our estimates by c.2-3% to factor in GST transition impact & lower other income; roll forward to Dec'27E and maintain ADD with revised TP of INR 2,770.

- **Inline revenues; better than envisaged gross margins drives earnings beat:** Consol. sales grew 2% YoY to INR 160.6bn (inline) led by carry forward pricing across skin cleansing, beverages and skin care as UVG was flat YoY. Sales performance was impacted due to GST-led disruption and prolonged monsoons, both of which are transient in nature. Gross margins at 50.9% (better vs. JMFe: 49.9%) saw sequential improvement (+134bps QoQ) with moderation in price vs. cost gap. Benefit of lower staff cost (down 8.8% YoY) was entirely offset by higher A&P (+10.7% YoY) and other expenses (+5.1% YoY) resulting into EBITDA decline of 1.7% YoY to INR 37.3bn (c.3% beat vs. our est.) with margin compression of 90bps to 23.2% (better vs. our est. of 22.4%). Adjusted PAT declined 4.3% YoY to INR 24.8bn due to higher finance cost and lower other income (lower cash balance due to Minimalist acquisition/dividend payout).

- **Beauty & wellbeing outperforms; Home care and Personal care disappoints: 1) Home care's** sales performance was weak (down 1% YoY) led by moderation in UVG (mid single digit vs. high single digit in 1Q) and impact of price cuts taken in previous quarters. Performance in detergent bars/powders appears weaker considering strong growth in dishwash & liquids portfolio. **2) Beauty & wellbeing** delivered USG of 5% YoY (ex-Minimalist) led by high-single-digit growth in skin care & colour cosmetics (led by 6 big bets in beauty & winter loading), robust growth in health & wellbeing (Oziva delivered triple-digit growth) was partially offset by GST transition led decline in hair care portfolio. **3) Personal care** – 90% of the portfolio was impacted by GST rationalisation which led to high-single digit decline in UVG and flat USG on YoY basis despite soft base. Premium soaps grew in double digit, indicative of sharp decline in mass end soaps (Lifebuoy which remains a WIP). Oral care saw marginal decline YoY (better vs. Colgate's sales decline of 6.3%). Close up delivered low-single digit growth. **4) Foods'** USG grew 3% YoY (low-single digit UVG) – as double-digit growth in beverages was offset by price cut in nutrition & GST transition impact in packaged foods.

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	2,770
Upside/(Downside)	6.5%
Previous Price Target	2,800
Change	-1.1%

Key Data – HUVR IN	
Current Market Price	INR2,602
Market cap (bn)	INR6,112.7/US$69.6
Free Float	32%
Shares in issue (mn)	2,350.0
Diluted share (mn)	2,350.0
3-mon avg daily val (mn)	INR4,070.3/US$46.3
52-week range	2,780/2,136
Sensex/Nifty	84,556/25,891
INR/US$	87.9

Price Performance

%	1M	6M	12M
Absolute	3.1	7.3	-1.8
Relative*	-0.3	1.3	-7.0

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,08,520	6,21,750	6,54,423	7,04,284	7,60,271
Sales Growth (%)	2.4	2.2	5.3	7.6	7.9
EBITDA	1,46,630	1,48,510	1,51,685	1,65,589	1,81,557
EBITDA Margin (%)	23.7	23.5	22.9	23.2	23.5
Adjusted Net Profit	1,02,726	1,04,221	1,02,742	1,12,289	1,24,742
Diluted EPS (INR)	43.7	44.3	43.7	47.8	53.1
Diluted EPS Growth (%)	4.0	1.5	-1.4	9.3	11.1
ROIC (%)	24.1	25.8	26.6	27.8	31.8
ROE (%)	20.2	20.7	20.5	22.1	24.3
P/E (x)	59.5	58.7	59.5	54.5	49.0
P/B (x)	11.9	12.4	12.1	12.0	11.8
EV/EBITDA (x)	40.9	40.4	39.7	36.2	32.9
Dividend Yield (%)	1.6	2.0	1.8	1.8	2.0

Source: Company data, JM Financial. Note: Valuations as of 23/Oct/2025

- **Standalone performance:** Standalone sales remained flat YoY at INR 154.2bn due to weak operating environment (prolonged monsoon and GST-led disruption). Gross margins contracted by c.60bps to 49.8%. Savings in staff cost (down 11.5% yoy) was entirely offset by higher A&P spend (4.3% yoy) and other overheads (+2.3% YoY). Resultant EBITDA margin contracted by 70bps to 23.1%. EBITDA and Adjusted PAT declined by 2%/5% respectively.

Concall Highlights

- **Operating environment**
  - **As per Nielsen data, demand trends remained stable both in urban as well as rural markets.** Management highlighted 3 macro indicators that impacted the operating environment during the quarter – a) Implementation of GST reforms expected to boost consumption, b) prolonged and intense monsoon conditions disrupted supply chains and c) divergent commodity trends.
  - Despite these short-term challenges, the underlying momentum from structural reforms and lower food inflation continues to present meaningful opportunities for sustained long-term growth.
  - **Commodities continue to display divergent trends**. Palm oil and S&P witnessed inflationary pressures while Tea and crude oil prices trended downwards.
  - With several positive macro factors expected to support consumption growth (led by improvement in consumer income & sentiment), **management expects growth trends to see gradual recovery rather than immediate acceleration. Management anticipates 2H growth trends to be better vs. 1H.**
  - Management remains vigilant of potential risk factors that may impact the operating environment such as Kharif output and weather patterns.

- **Impact of GST Rationalisation**
  - c.40% of HUL's portfolio has directly benefitted from GST rate rationalisation from 12% or 18% to 5%. Within this, c.90% of hair care portfolio, c.90% of personal care portfolio and entire Foods portfolio barring Tea underwent GST rate rationalisation. **As per management estimates, HUL saw an overall impact of c.2%, largely on volumes due to GST transition.**
  - HUL implemented pricing and grammage interventions across 1,200+ SKUs to pass on the GST reduction benefit to consumers.
  - GST changes led to transitory disruptions across trade channels to clear old price inventory and resulted in postponement of ordering activity. Additionally, consumers delayed pantry replenishment in expectation of lower shelf price which coupled with pricing volatility resulted in short-term impact on sales performance.
  - The company typically maintains 4-6 weeks of trade pipeline inventory depending on the category; however the same is disrupted post GST rationalisation. **Once prices normalise, the company will focus on restocking shelves over the next few months. Restocking within modern trade and e-commerce is easier vs. general trade which requires more effort across 9mn outlets.**
  - Trade support (MRP cuts to liquidate old inventory) provided during the quarter was entirely absorbed by sequential improvement in gross margins. **No further margin impact is anticipated.**

- **CEO's strategic vision**
  - Priya Nair's commentary revolved around excessive focus on driving volume-led sustainable growth and expanding premium offerings. She laid down four strategic pillars that will enable the same:
    a. **First Pillar – Consumer segmentation:** In response to evolving consumer dynamics, company will radically sharpen its consumer segmentation into three distinct consumer cohorts such as - Power spenders (top-tier – 60 to 80mn consumers), Premiumizer

(mid-tier) and Democratizers (lower-end). Further, it will refine strategies on brand investment, channel and media choices to target each of these specific cohorts.

b. **Second Pillar – Elevate brand desirability:** Priya highlighted that brand equity is not enough, with c.400mn Gen Z consumers it is essential to have brand desirability. HUL will reimagine its core brands through renovations and premium innovations.

c. **Third Pillar – Further strengthen front line marketing and sales engine:** Focus remains on driving social first demand generation to enable brand discovery. Within channels, HUL will continue to allocate more resources to fast growing channels such as E-commerce including quick commerce. It will also continue to evolve general trade with more focus on specialist stores like cosmetic stores and chemists.

d. **Fourth Pillar – Reshaping portfolio by accelerating high growth demand spaces:** Based on market readiness, company will invest disproportionately in few demand spaces to scale and develop the markets in India.

- **Premiumisation & category development remains key focus areas across segments:** a) Home care – HUL will continue to premiumize the market by driving liquids portfolio, b) Beauty & wellbeing – Premiumize the category and grow the market from just hair cleansing to hair care, c) Personal care – Double down and develop the under penetrated liquids and body wash market and d) Foods – Double down on lifestyle nutrition which is a growing demand space.

Operational performance

- Gross margin witnessed sequential improvement as transitory price vs. cost gap moderated during the quarter.
- A&P spends stood at 10.3% (% to net sales) has increased 80bps YoY.
- Moderation in other income on account of a) reduced cash reserves post special dividend payout, b) minimalist acquisition and c) softer interest rate trends.
- Exceptional items were higher on YoY basis due to one-off impact of resolution of certain tax matters between UK and Indian tax authorities.
- Effective tax rate excluding prior period tax adjustments and excess income stood at 26.7%.

Home care

- As highlighted previously, company reduced prices to maintain competitive price-value equation as well as pass on commodity-led benefits the consumer (deflationary crude oil prices, >10%).
- Fabric conditioners delivered double-digit growth and continued on its innovation-led premiumisation journey with new launches – Comfort perfume deluxe range.
- Fabric wash delivered mid-single-digit UVG led by double-digit growth in liquids portfolio. household care maintained its double-digit UVG trajectory led by liquids. Dishwash bars recorded high-single-digit UVG.

Beauty & wellbeing

- Hair care category witnessed decline in turnover due to GST impact across its portfolio.
- Skin care including color cosmetics grew in high single digits led by growth in Vaseline and Lakme. HUL's six big bets (face cleansing, light moisturizer, serums and treatments, sun care, deseasonalise body and masstige) continued to deliver strong double-digit growth. Glow & Lovely Glass bright has performed ahead of expectations.
- Channels of the future sustained double-digit competitive growth with stepped up activations ahead of festive and winter season.
- Health & wellbeing maintained its strong triple-digit growth trajectory fuelled by science-backed portfolio.
- Minimalist brand delivered strong double-digit growth in 1HFY26.

- **Personal care**
  - Personal care reported flat turnover as c.90% of its portfolio underwent GST rate cuts.
  - Skin cleansing portfolio reported flat turnover as carry forward pricing benefit was offset by GST transition. However, premium soap bars continued to deliver double-digit growth driven by balanced volume-price mix. The company strengthened its premium offerings by re-launching Dove, Pears and expanding its Lux international range.
  - Though competitiveness has improved in Lifebuoy there is still work to do as the category was impacted due to GST transition.
  - Oral care reported marginal decline due to GST impact. Close up grew in low-single digits.

- **Foods**
  - Beverage portfolio comprising of tea and coffee delivered double-digit growth led by strong performance in channels of the future. HUL's pricing strategy for Tea is on replacement basis and as the commodity prices remain deflationary, there is positive impact on overall demand trends.
  - Lifestyle nutrition sustained positive UVG led by favourable mix though USG declined due to negative pricing. Management highlighted that the category is witnessing early signs of consumer uptrading driven by recent price pack architecture interventions implemented. It remains focused to drive category penetration which will further be aided by GST rate cuts.
  - Packaged foods delivered muted performance due to GST impact. Mayonnaise and sausage range continues to grow in double-digits.
  - Ice cream business was also impacted by GST transition as well as prolonged monsoons. Demerger process of the ice cream business in underway and is likely to be completed by December quarter. Further, management anticipates listing of the business by 4QFY26.

- **Near term outlook**
  - Growth guidance remains unchanged – focus remains to deliver volume-led competitive growth with performance of 2HFY26 to better vs. 1HFY26.
  - Management expects **low-single-digit price growth** if commodity prices remains unchanged.
  - As guided previously, gross margins will improve on **sequential basis** led by improving Price vs. Cost gap. **EBITDA margins to be in the range of 22-23% (guidance unchanged); however, additional margin improvement of 50-60bps is expected post completion of ice cream business demerger.**
  - Management anticipates normalised trading conditions (including new price packs with grammage adjustments) starting early November once prices stabilize.

- **Other highlights**
  - HUL has built 19 brands with annual turnover exceeding INR 10bn.
  - Company announced interim dividend of INR 19 per share translating into total payout of INR 44.6bn.
  - Channel mix: General trade - 70%, Modern trade – 20%, E-commerce – 8% and balance across other channels.
  - Categories such as skin cleansing and tea are more price elastic vs. home care products, which remained resilient despite 20%+ price hikes.

Exhibit 1. 2QFY26 result snapshot (consol.): Revenue broadly inline; higher A&P spends and other overheads drove operating margin compression

INR mn	CONSOLIDATED					PARENT		
	2QFY26	2QFY25	YoY growth	2QFY26E	% variance	2QFY26	2QFY25	YoY growth
Net Sales	**160,610**	**157,290**	**2.1%**	**161,189**	**-0.4%**	**154,180**	**153,190**	**0.6%**
Other Operating Income	1,800	1,970	-8.6%	2,050	-12.2%	1,670	1,890	-11.6%
Total Revenue	162,410	159,260	2.0%	163,239	-0.5%	155,850	155,080	0.5%
Gross Profit	81,680	80,200	1.8%	80,433	1.6%	76,850	77,260	-0.5%
Gross Profit Margin %	50.9%	51.0%	-13 bps	49.9%	96 bps	49.8%	50.4%	-59 bps
Staff Cost	7,500	8,220	-8.8%	8,221	-8.8%	6,770	7,650	-11.5%
Advertisement & Sales Promotion	16,610	15,010	10.7%	15,796	5.1%	15,270	14,640	4.3%
Other Expenses	22,080	21,010	5.1%	22,281	-0.9%	20,850	20,390	2.3%
EBITDA	**37,290**	**37,930**	**-1.7%**	**36,185**	**3.1%**	**35,630**	**36,470**	**-2.3%**
EBITDA margin - % of net sales	23.2%	24.1%	-90 bps	22.4%	77 bps	23.1%	23.8%	-70 bps
Depreciation	3,580	3,380	5.9%	3,700	-3.2%	3,240	3,050	6.2%
EBIT	33,710	34,550	-2.4%	32,485	3.8%	32,390	33,420	-3.1%
Interest Expense	1,290	1,100	17.3%	1,280	0.8%	1,110	990	12.1%
Financial Other Income	1,470	2,190	-32.9%	2,000	-26.5%	2,280	3,090	-26.2%
PBT (before exceptionals)	33,890	35,640	-4.9%	33,205	2.1%	33,560	35,520	-5.5%
PBT (incl exceptionals)	35,730	35,480	0.7%	33,205	7.6%	35,400	35,360	0.1%
Share of profit of associate	-30	-60	-50.0%	0	NM	0	0	NM
Minority Interest	90	40	125.0%	0	NM	0	0	NM
Reported Net Profit	26,850	25,910	3.6%	24,406	10.0%	26,900	26,120	3.0%
Adjusted Net Profit	**24,820**	**25,940**	**-4.3%**	**24,406**	**1.7%**	**24,780**	**26,110**	**-5.1%**

Source: Company, JM Financial

Exhibit 2. Segmental performance: Beauty & wellbeing outperforms; Home care and Personal care disappoints

INR mn	CONSOLIDATED			PARENT		
	2QFY26	2QFY25	YoY %	2QFY26	2QFY25	YoY %
Segment Revenue						
Home Care	56,640	57,310	-1.2%	56,670	57,370	-1.2%
Beauty & Wellbeing	37,320	34,210	9.1%	33,890	33,230	2.0%
Personal Care	24,250	24,110	0.6%	24,260	24,120	0.6%
Foods & Refreshments	38,690	38,030	1.7%	38,690	38,030	1.7%
Others	5,510	5,600	-1.6%	2,340	2,330	0.4%
Total Segment Revenue - Gross	**162,410**	**159,260**	**2.0%**	**155,850**	**155,080**	**0.5%**
Segment EBIT						
Home Care	10,830	11,140	-2.8%	10,500	10,870	-3.4%
Beauty & Wellbeing	10,610	11,230	-5.5%	10,310	11,210	-8.0%
Personal Care	4,920	4,070	20.9%	4,870	4,010	21.4%
Foods & Refreshments	6,290	6,900	-8.8%	6,290	6,900	-8.8%
Others	1,060	1,210	-12.4%	420	430	-2.3%
Total Segment EBIT	**33,710**	**34,550**	**-2.4%**	**32,390**	**33,420**	**-3.1%**
Net Unallocable Expense	-1,840	160	-1250.0%	-1,840	160	-1250.0%
Net Financial Income	180	1,090	-83.5%	1,170	2,100	-44.3%
PBT before exceptional items	**33,890**	**35,640**	**-4.9%**	**33,560**	**35,520**	**-5.5%**
Reported PBT	**35,730**	**35,480**	**0.7%**	**35,400**	**35,360**	**0.1%**
Adjusted Net Profit	**24,820**	**25,940**	**-4.3%**	**24,780**	**26,110**	**-5.1%**
Segment Margin %						
Home Care	19.1%	19.4%	-32 bps	18.5%	18.9%	-42 bps
Beauty & Wellbeing	28.4%	32.8%	-440 bps	30.4%	33.7%	-331 bps
Personal Care	13.2%	11.9%	129 bps	14.4%	12.1%	230 bps
Foods & Refreshments	16.3%	18.1%	-189 bps	16.3%	18.1%	-189 bps
Others	19.2%	21.6%	-237 bps	17.9%	18.5%	-51 bps
Total Segment Margin %	**20.8%**	**21.7%**	**-94 bps**	**20.8%**	**21.6%**	**-77 bps**

Source: Company, JM Financial

Exhibit 3. Quarterly financial performance – consolidated basis

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Volume growth	**3.0%**	**2.0%**	**2.0%**	**2.0%**	**4.0%**	**3.0%**	**0.0%**	**2.0%**	**4.0%**	**0.0%**
Sales	**152,670**	**153,640**	**152,940**	**150,410**	**155,230**	**157,290**	**155,900**	**154,460**	**163,230**	**160,610**
YoY	*6.3%*	*3.1%*	*-0.3%*	*0.6%*	*1.7%*	*2.4%*	*1.9%*	*2.7%*	*5.2%*	*2.1%*
Other Operating Income	2,290	2,590	2,730	1,690	1,840	1,970	2,280	2,240	1,910	1,800
Total sales	**154,960**	**156,230**	**155,670**	**152,100**	**157,070**	**159,260**	**158,180**	**156,700**	**165,140**	**162,410**
YoY	*6.0%*	*3.2%*	*-0.2%*	*0.0%*	*1.4%*	*1.9%*	*1.6%*	*3.0%*	*5.1%*	*2.0%*
Gross Profit	**78,170**	**82,780**	**80,880**	**79,530**	**81,620**	**82,170**	**81,170**	**80,470**	**82,730**	**83,480**
Staff cost	7,050	7,660	7,060	8,320	6,560	8,220	7,430	8,560	7,260	7,500
YoY	*10.8%*	*1.1%*	*-2.2%*	*12.7%*	*-7.0%*	*7.3%*	*5.2%*	*2.9%*	*10.7%*	*-8.8%*
A&P spends	15,050	17,420	16,260	16,160	16,810	15,010	15,070	15,100	16,560	16,610
YoY	*12.8%*	*65.4%*	*34.5%*	*23.3%*	*11.7%*	*-13.8%*	*-7.3%*	*-6.6%*	*-1.5%*	*10.7%*
Other expenses	19,420	19,730	20,900	19,700	20,810	21,010	21,720	20,620	21,730	22,080
YoY	*22.3%*	*19.1%*	*12.1%*	*6.7%*	*7.2%*	*6.5%*	*3.9%*	*4.7%*	*4.4%*	*5.1%*
EBITDA	**36,650**	**37,970**	**36,660**	**35,350**	**37,440**	**37,930**	**36,950**	**36,190**	**37,180**	**37,290**
YoY	*7.7%*	*9.1%*	*-0.8%*	*-1.1%*	*2.2%*	*-0.1%*	*0.8%*	*2.4%*	*-0.7%*	*-1.7%*
Depreciation	2,860	2,970	3,130	3,200	3,290	3,380	3,410	3,470	3,610	3,580
Interest	500	880	910	1,050	930	1,100	1,120	800	1,270	1,290
Other income	1,830	1,830	2,140	2,310	2,570	2,190	2,320	3,090	2,010	1,470
PBT	**35,120**	**35,950**	**34,760**	**33,410**	**35,790**	**35,640**	**34,740**	**35,010**	**34,310**	**33,890**
YoY	*8.9%*	*9.3%*	*-0.2%*	*-2.1%*	*1.9%*	*-0.9%*	*-0.1%*	*4.8%*	*-4.1%*	*-4.9%*
Exceptional Items /(Income)	370	50	300	(780)	480	160	(5,070)	1,380	1,270	(1,840)
Tax	9,180	9,310	9,370	8,580	9,170	9,470	9,930	8,870	5,350	8,760
PAT	**25,540**	**26,560**	**25,090**	**25,580**	**26,100**	**25,910**	**29,840**	**24,640**	**27,560**	**26,850**
YoY	*7.3%*	*-0.3%*	*1.4%*	*-1.6%*	*2.2%*	*-2.4%*	*18.9%*	*-3.7%*	*5.6%*	*3.6%*
PAT before exceptional items	**25,850**	**26,628**	**25,310**	**26,070**	**26,460**	**25,940**	**25,289**	**24,970**	**25,260**	**24,820**
YoY	*7.7%*	*-1.1%*	*-1.0%*	*-1.6%*	*2.4%*	*-2.6%*	*-0.1%*	*-4.2%*	*-4.5%*	*-4.3%*
% to sales	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Gross margin	51.2%	53.9%	52.9%	52.9%	52.6%	52.2%	52.1%	52.1%	50.7%	52.0%
Staff cost	4.6%	5.0%	4.6%	5.5%	4.2%	5.2%	4.8%	5.5%	4.4%	4.7%
A&P spends	9.9%	11.3%	10.6%	10.7%	10.8%	9.5%	9.7%	9.8%	10.1%	10.3%
Other expenses	12.7%	12.8%	13.7%	13.1%	13.4%	13.4%	13.9%	13.3%	13.3%	13.7%
EBITDA margin	24.0%	24.7%	24.0%	23.5%	24.1%	24.1%	23.7%	23.4%	22.8%	23.2%

Source: Company, JM Financial

Exhibit 4. Quarterly segmental performance – on consolidated basis

Segment sales	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Home Care	54,210	53,080	54,440	57,090	56,730	57,310	57,390	58,150	57,770	56,640
YoY					*4.6%*	*8.0%*	*5.4%*	*1.9%*	*1.8%*	*-1.2%*
Beauty & Wellbeing	31,700	33,370	34,670	30,620	32,810	34,210	35,560	32,650	36,310	37,320
YoY					*3.5%*	*2.5%*	*2.6%*	*6.6%*	*10.7%*	*9.1%*
Personal Care	24,980	25,360	23,150	20,630	23,860	24,110	22,430	21,260	25,400	24,250
YoY					*-4.5%*	*-4.9%*	*-3.1%*	*3.1%*	*6.5%*	*0.6%*
Foods	37,970	38,510	37,330	39,100	38,500	38,030	37,450	38,960	40,160	38,690
YoY					*1.4%*	*-1.2%*	*0.3%*	*-0.4%*	*4.3%*	*1.7%*
Others	6,100	5,910	6,080	4,660	5,170	5,600	5,350	5,680	5,500	5,510
YoY					*-15.2%*	*-5.2%*	*-12.0%*	*21.9%*	*6.4%*	*-1.6%*
Total Segment	154,960	156,230	155,670	152,100	157,070	159,260	158,180	156,700	165,140	162,410
YoY					*1.4%*	*1.9%*	*1.6%*	*3.0%*	*5.1%*	*2.0%*
Segment EBIT	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Home Care	10,130	10,140	9,890	11,110	11,360	11,140	10,860	10,930	11,290	10,830
YoY					*12.1%*	*9.9%*	*9.8%*	*-1.6%*	*-0.6%*	*-2.8%*
Beauty & Wellbeing	10,230	11,180	10,960	9,120	10,010	11,230	10,180	10,460	9,990	10,610
YoY					*-2.2%*	*0.4%*	*-7.1%*	*14.7%*	*-0.2%*	*-5.5%*
Personal Care	4,490	4,640	3,690	3,790	4,250	4,070	4,010	3,980	4,750	4,920
YoY					*-5.3%*	*-12.3%*	*8.7%*	*5.0%*	*11.8%*	*20.9%*
Foods	6,810	7,200	7,110	7,390	7,360	6,900	7,550	6,270	6,520	6,290
YoY					*8.1%*	*-4.2%*	*6.2%*	*-15.2%*	*-11.4%*	*-8.8%*
Others	2,130	1,840	1,880	740	1,170	1,210	940	1,080	1,020	1,060
YoY					*-45.1%*	*-34.2%*	*-50.0%*	*45.9%*	*-12.8%*	*-12.4%*
Total Segment	33,790	35,000	33,530	32,150	34,150	34,550	33,540	32,720	33,570	33,710
YoY					*1.1%*	*-1.3%*	*0.0%*	*1.8%*	*-1.7%*	*-2.4%*
EBIT margins (%)	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Home Care	18.7%	19.1%	18.2%	19.5%	20.0%	19.4%	18.9%	18.8%	19.5%	19.1%
Beauty & wellbeing	32.3%	33.5%	31.6%	29.8%	30.5%	32.8%	28.6%	32.0%	27.5%	28.4%
Personal care	18.0%	18.3%	15.9%	18.4%	17.8%	16.9%	17.9%	18.7%	18.7%	20.3%
Foods	17.9%	18.7%	19.0%	18.9%	19.1%	18.1%	20.2%	16.1%	16.2%	16.3%
Others	34.9%	31.1%	30.9%	15.9%	22.6%	21.6%	17.6%	19.0%	18.5%	19.2%
Total Margins	21.8%	22.4%	21.5%	21.1%	21.7%	21.7%	21.2%	20.9%	20.3%	20.8%
Revenue mix (%)	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Home Care	35.0%	34.0%	35.0%	37.5%	36.1%	36.0%	36.3%	37.1%	35.0%	34.9%
Beauty & wellbeing	20.5%	21.4%	22.3%	20.1%	20.9%	21.5%	22.5%	20.8%	22.0%	23.0%
Personal care	16.1%	16.2%	14.9%	13.6%	15.2%	15.1%	14.2%	13.6%	15.4%	14.9%
Foods	24.5%	24.6%	24.0%	25.7%	24.5%	23.9%	23.7%	24.9%	24.3%	23.8%
Others	3.9%	3.8%	3.9%	3.1%	3.3%	3.5%	3.4%	3.6%	3.3%	3.4%
EBIT mix (%)	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Home Care	30.0%	29.0%	29.5%	34.6%	33.3%	32.2%	32.4%	33.4%	33.6%	32.1%
Beauty & wellbeing	30.3%	31.9%	32.7%	28.4%	29.3%	32.5%	30.4%	32.0%	29.8%	31.5%
Personal care	13.3%	13.3%	11.0%	11.8%	12.4%	11.8%	12.0%	12.2%	14.1%	14.6%
Foods	20.2%	20.6%	21.2%	23.0%	21.6%	20.0%	22.5%	19.2%	19.4%	18.7%
Others	6.3%	5.3%	5.6%	2.3%	3.4%	3.5%	2.8%	3.3%	3.0%	3.1%

Source: Company, JM Financial. Note: HUL started to report Beauty & wellbeing and Personal care as two separate segments from 1QFY25 onwards.

Exhibit 5. Quarterly financial performance – standalone basis

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Sales	**149,310**	**150,270**	**149,280**	**146,930**	**151,660**	**153,190**	**151,950**	**150,000**	**157,470**	**154,180**
YoY	*6.5%*	*3.5%*	*-0.4%*	*0.4%*	*1.6%*	*1.9%*	*1.8%*	*2.1%*	*3.8%*	*0.6%*
Other Operating Income	2,170	2,490	2,600	1,640	1,730	1,890	2,130	2,140	1,840	1,670
Total sales	**151,480**	**152,760**	**151,880**	**148,570**	**153,390**	**155,080**	**154,080**	**152,140**	**159,310**	**155,850**
YoY	*6.1%*	*3.6%*	*-0.3%*	*-0.2%*	*1.3%*	*1.5%*	*1.4%*	*2.4%*	*3.9%*	*0.5%*
Gross Profit	**75,600**	**80,550**	**78,210**	**77,060**	**78,910**	**79,150**	**78,070**	**76,800**	**78,420**	**78,520**
Staff cost	6,510	7,080	6,490	7,740	6,020	7,650	6,840	7,890	6,570	6,770
YoY	*9.0%*	*-0.1%*	*-4.0%*	*13.3%*	*-7.5%*	*8.1%*	*5.4%*	*1.9%*	*9.1%*	*-11.5%*
A&P spends	14,810	17,200	15,930	15,860	16,440	14,640	14,660	14,540	15,560	15,270
YoY	*11.5%*	*65.2%*	*32.8%*	*22.9%*	*11.0%*	*-14.9%*	*-8.0%*	*-8.3%*	*-5.4%*	*4.3%*
Other expenses	19,070	19,330	20,390	19,110	20,390	20,390	20,870	19,710	20,710	20,850
YoY	*20.2%*	*18.6%*	*12.2%*	*5.6%*	*6.9%*	*5.5%*	*2.4%*	*3.1%*	*1.6%*	*2.3%*
EBITDA	**35,210**	**36,940**	**35,400**	**34,350**	**36,060**	**36,470**	**35,700**	**34,660**	**35,580**	**35,630**
YoY	*8.4%*	*9.4%*	*0.1%*	*-1.0%*	*2.4%*	*-1.3%*	*0.8%*	*0.9%*	*-1.3%*	*-2.3%*
Depreciation	2,570	2,690	2,820	2,890	2,980	3,050	3,080	3,130	3,240	3,240
Interest	470	720	810	1,020	850	990	1,050	750	1,100	1,110
Other income	1,850	2,830	2,850	2,200	2,570	3,090	3,120	2,990	2,470	2,280
PBT	**34,020**	**36,360**	**34,620**	**32,640**	**34,800**	**35,520**	**34,690**	**33,770**	**33,710**	**33,560**
YoY	*9.8%*	*13.0%*	*-0.5%*	*-2.4%*	*2.3%*	*-2.3%*	*0.2%*	*3.5%*	*-3.1%*	*-5.5%*
Exceptional Items /(Income)	370	50	300	170	480	160	(5,090)	230	1,270	(1,840)
Tax	8,930	9,140	9,130	8,410	8,940	9,240	9,770	8,610	5,120	8,500
PAT	**24,720**	**27,170**	**25,190**	**24,060**	**25,380**	**26,120**	**30,010**	**24,930**	**27,320**	**26,900**
YoY	*8.0%*	*3.9%*	*0.6%*	*-5.7%*	*2.7%*	*-3.9%*	*19.1%*	*3.6%*	*7.6%*	*3.0%*
PAT before exceptional items	**25,000**	**26,680**	**25,410**	**23,960**	**25,720**	**26,110**	**25,400**	**24,970**	**24,900**	**24,780**
YoY	*9.2%*	*12.1%*	*-1.5%*	*-3.0%*	*2.9%*	*-2.1%*	*0.0%*	*4.2%*	*-3.2%*	*-5.1%*
% to sales	**1QFY24**	**2QFY24**	**3QFY24**	**4QFY24**	**1QFY25**	**2QFY25**	**3QFY25**	**4QFY25**	**1QFY26**	**2QFY26**
Gross margin	50.6%	53.6%	52.4%	52.4%	52.0%	51.7%	51.4%	51.2%	49.8%	50.9%
Staff cost	4.4%	4.7%	4.3%	5.3%	4.0%	5.0%	4.5%	5.3%	4.2%	4.4%
A&P spends	9.9%	11.4%	10.7%	10.8%	10.8%	9.6%	9.6%	9.7%	9.9%	9.9%
Other expenses	12.8%	12.9%	13.7%	13.0%	13.4%	13.3%	13.7%	13.1%	13.2%	13.5%
EBITDA margin	23.6%	24.6%	23.7%	23.4%	23.8%	23.8%	23.5%	23.1%	22.6%	23.1%

Source: Company, JM Financial

Exhibit 6. HUL's 5yr avg. PE Band

Source: Bloomberg, Company, JM Financial

Exhibit 7. HUL's 10yr avg. PE Band

Source: Bloomberg, Company, JM Financial

Exhibit 8. Revision in estimates

INR mn	Revised			Earlier			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	654,423	704,284	760,271	659,362	709,433	765,661	-0.7%	-0.7%	-0.7%
EBITDA	151,685	165,589	181,557	151,331	165,691	181,827	0.2%	-0.1%	-0.1%
PAT	102,742	112,289	124,742	105,225	115,495	128,094	-2.4%	-2.8%	-2.6%
EPS	43.7	47.8	53.1	44.8	49.1	54.5	-2.4%	-2.8%	-2.6%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,08,520	6,21,750	6,54,423	7,04,284	7,60,271
Sales Growth	*2.4%*	*2.2%*	*5.3%*	*7.6%*	*7.9%*
Other Operating Income	10,440	9,460	9,359	10,552	11,391
Total Revenue	**6,18,960**	**6,31,210**	**6,63,783**	**7,14,836**	**7,71,662**
Cost of Goods Sold/Op. Exp	2,97,600	3,05,780	3,25,665	3,50,274	3,77,344
Personnel Cost	30,090	30,770	31,412	33,453	35,733
Other Expenses	1,44,640	1,46,150	1,55,021	1,65,520	1,77,029
EBITDA	**1,46,630**	**1,48,510**	**1,51,685**	**1,65,589**	**1,81,557**
EBITDA Margin	*23.7%*	*23.5%*	*22.9%*	*23.2%*	*23.5%*
EBITDA Growth	*3.6%*	*1.3%*	*2.1%*	*9.2%*	*9.6%*
Depn. & Amort.	12,160	13,550	14,444	15,316	16,243
EBIT	1,34,470	1,34,960	1,37,241	1,50,272	1,65,314
Other Income	8,110	10,170	7,536	6,729	8,407
Finance Cost	3,340	3,950	4,756	4,642	4,485
PBT before Excep. & Forex	1,39,240	1,41,180	1,40,021	1,52,358	1,69,236
Excep. & Forex Inc./Loss(-)	60	3,050	570	0	0
PBT	1,39,300	1,44,230	1,40,591	1,52,358	1,69,236
Taxes	36,440	37,440	33,039	39,579	43,963
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	40	180	350	371	461
Reported Net Profit	1,02,800	1,06,530	1,07,042	1,12,249	1,24,732
Adjusted Net Profit	**1,02,726**	**1,04,221**	**1,02,742**	**1,12,289**	**1,24,742**
Net Margin	*16.6%*	*16.5%*	*15.5%*	*15.7%*	*16.2%*
Diluted Share Cap. (mn)	2,350.0	2,350.0	2,350.0	2,350.0	2,350.0
Diluted EPS (INR)	**43.7**	**44.3**	**43.7**	**47.8**	**53.1**
Diluted EPS Growth	*4.0%*	*1.5%*	*-1.4%*	*9.3%*	*11.1%*
Total Dividend + Tax	98,680	1,24,530	1,07,042	1,12,289	1,24,742
Dividend Per Share (INR)	42.0	53.0	45.5	47.8	53.1

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,39,290	1,44,190	1,40,511	1,52,278	1,69,196
Depn. & Amort.	12,160	13,630	14,444	15,316	16,243
Net Interest Exp. / Inc. (-)	-4,770	-6,220	-2,780	-2,086	-3,923
Inc (-) / Dec in WCap.	13,130	-7,880	8,844	2,330	1,947
Others	-1,310	-2,180	-430	-411	-491
Taxes Paid	-3,810	-22,680	-36,839	-31,899	-37,864
Operating Cash Flow	**1,54,690**	**1,18,860**	**1,23,750**	**1,35,529**	**1,45,109**
Capex	-14,570	-12,620	-39,030	-10,000	-10,000
Free Cash Flow	*1,40,120*	*1,06,240*	*84,720*	*1,25,529*	*1,35,109*
Inc (-) / Dec in Investments	-42,920	63,050	-27,531	-3,843	-4,225
Others	4,250	14,300	2,021	6,750	8,430
Investing Cash Flow	**-53,240**	**64,730**	**-64,540**	**-7,093**	**-5,795**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-94,160	-1,24,730	-94,761	-1,08,923	-1,16,753
Inc / Dec (-) in Loans	-850	0	0	0	0
Others	-5,330	-6,280	-4,326	-4,191	-3,984
Financing Cash Flow	**-1,00,340**	**-1,31,010**	**-99,087**	**-1,13,114**	**-1,20,736**
Inc / Dec (-) in Cash	**1,110**	**52,580**	**-39,877**	**15,322**	**18,577**
Opening Cash Balance	74,480	22,960	75,540	35,663	50,985
Closing Cash Balance	75,590	75,540	35,663	50,985	69,562

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	5,12,180	4,94,020	5,06,301	5,09,667	5,17,656
Share Capital	2,350	2,350	2,350	2,350	2,350
Reserves & Surplus	5,09,830	4,91,670	5,03,951	5,07,317	5,15,306
Preference Share Capital	0	0	0	0	0
Minority Interest	2,050	2,070	2,500	2,951	3,452
Total Loans	130	10	10	10	10
Def. Tax Liab. / Assets (-)	80,180	83,150	84,797	84,364	83,829
Total - Equity & Liab.	**5,94,540**	**5,79,250**	**5,93,608**	**5,96,993**	**6,04,947**
Net Fixed Assets	5,47,690	5,53,440	5,85,188	5,80,756	5,75,441
Gross Fixed Assets	1,09,990	1,20,040	1,30,040	1,40,040	1,50,040
Intangible Assets	4,57,130	4,57,100	4,92,450	4,92,450	4,92,450
Less: Depn. & Amort.	44,820	50,630	65,074	80,390	96,633
Capital WIP	25,390	26,930	27,772	28,656	29,584
Investments	46,370	38,330	65,861	69,704	73,929
Current Assets	1,90,830	2,06,860	1,71,525	1,94,106	2,22,769
Inventories	40,220	44,150	44,824	48,142	51,865
Sundry Debtors	29,970	38,190	41,238	42,450	45,825
Cash & Bank Balances	75,590	75,540	35,663	50,985	69,562
Loans & Advances	35,000	35,830	35,993	38,031	40,294
Other Current Assets	10,050	13,150	13,808	14,498	15,223
Current Liab. & Prov.	1,90,350	2,19,380	2,28,966	2,47,574	2,67,192
Current Liabilities	1,28,760	1,42,340	1,54,331	1,64,022	1,76,223
Provisions & Others	61,590	77,040	74,635	83,552	90,969
Net Current Assets	480	-12,520	-57,441	-53,468	-44,423
Total – Assets	**5,94,540**	**5,79,250**	**5,93,608**	**5,96,993**	**6,04,947**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	16.6%	16.5%	15.5%	15.7%	16.2%
Asset Turnover (x)	0.9	0.9	0.9	0.9	1.0
Leverage Factor (x)	1.4	1.4	1.5	1.5	1.5
RoE	20.2%	20.7%	20.5%	22.1%	24.3%

Key Ratios

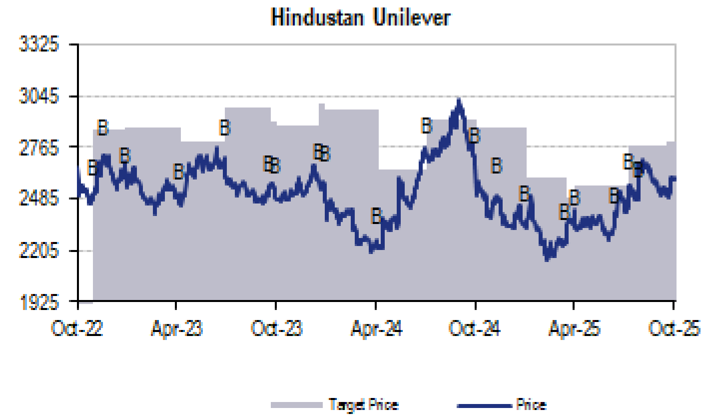
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	217.9	210.2	215.4	216.9	220.3
ROIC	24.1%	25.8%	26.6%	27.8%	31.8%
ROE	20.2%	20.7%	20.5%	22.1%	24.3%
Net Debt/Equity (x)	-0.2	-0.2	-0.2	-0.2	-0.3
P/E (x)	59.5	58.7	59.5	54.5	49.0
P/B (x)	11.9	12.4	12.1	12.0	11.8
EV/EBITDA (x)	40.9	40.4	39.7	36.2	32.9
EV/Sales (x)	9.7	9.5	9.1	8.4	7.7
Debtor days	18	22	23	22	22
Inventory days	24	26	25	25	25
Creditor days	100	108	110	109	109

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-Nov-22	Buy	2,855	
8-Dec-22	Buy	2,855	0.0
20-Jan-23	Buy	2,875	0.7
27-Apr-23	Buy	2,790	-3.0
20-Jul-23	Buy	2,980	6.8
9-Oct-23	Buy	2,905	-2.5
20-Oct-23	Buy	2,880	-0.9
8-Jan-24	Buy	3,000	4.2
19-Jan-24	Buy	2,970	-1.0
25-Apr-24	Buy	2,640	-11.1
24-Jul-24	Buy	2,915	10.4
23-Oct-24	Buy	2,870	-1.5
1-Dec-24	Buy	2,870	0.0
22-Jan-25	Buy	2,600	-9.4
4-Apr-25	Buy	2,485	-4.4
24-Apr-25	Buy	2,555	2.8
4-Jul-25	Buy	2,555	0.0
31-Jul-25	Buy	2,770	8.4
17-Aug-25	Buy	2,770	0.0
8-Oct-25	Add	2,800	1.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
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.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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