

HINDUSTAN UNILEVER

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	2,602
12 month price target (INR)	3,200
52 Week High/Low	2,780/2,136
Market cap (INR bn/USD bn)	6,113/69.6
Free float (%)	38.1
Avg. daily value traded (INR mn)	4,070.3

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	61.9%	61.9%	61.9%
FII	10.79%	10.18%	10.62%
DII	15.62%	15.99%	15.48%
Pledge	0%	0%	0%

FINANCIALS

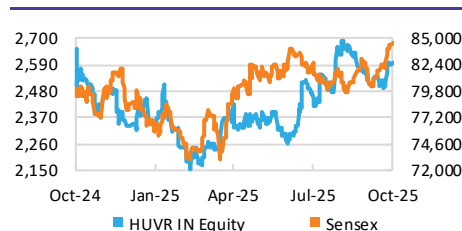
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	631,210	672,042	726,225	787,453
EBITDA	148,510	154,005	176,776	190,061
Adjusted profit	106,490	110,188	125,153	135,985
Diluted EPS (INR)	45.3	46.9	53.3	57.9
EPS growth (%)	3.6	3.5	13.6	8.7
RoAE (%)	20.6	22.1	24.6	26.1
P/E (x)	58.4	56.4	49.7	45.7
EV/EBITDA (x)	40.4	39.0	33.9	31.5
Dividend yield (%)	1.6	1.6	1.8	2.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY27E	FY28E	FY27E	FY28E
Revenue	726,225	787,453	-1.8	-2.0
EBITDA	176,776	190,061	-	-1.1
Adjusted profit	125,153	135,985	-1.4	-1.4
Diluted EPS (INR)	53.3	57.9	-1.4	-1.4

PRICE PERFORMANCE



Decent performance excluding GST impact

HUL's Q2FY26 sales (up 2% YoY)/volumes (flat YoY)—came in line with our estimates while there was mild beat on EBITDA (down 1.7% YoY). On a 2Y CAGR basis, HUL's sales grew 2.2% while EBITDA fell 1%. Non-GST categories clocked strong growth: i) household care volumes grew in double digits; ii) tea reported high-single digit on price/volume; and iii) skin care grew in high single digit. HUL's EBITDA margin to rise 50–60bp post ice-cream demerger (in Q3); guidance steady at 22–23%.

While GST-led transition led to 2% volume impact in Q2FY26 (we are thus slightly trimming estimates), trade normalisation from Nov-25 shall support HUL's near-term recovery (H2 to outpace H1). All in all, we are revising our TP to INR3,200 (earlier INR3,240); retain 'BUY'.

In line showing; near-term demand revival remains intact

What we like: Home Care reported mid-single digit volumes, but flat sales as prior price cuts offset volumes. Fabric Wash grew on the back of strong liquid traction while Household Care posted double-digit UVG led by dishwasher liquids. Growth remains volume-led amid pricing pressure.

B&W revenue grew 5% YoY with flat volumes. Strong performance by Skin Care (grew in high single digit) and Health & Wellbeing was partly offset by GST-led Hair Care moderation. The growth was led by Future Core portfolio and early winter loading in Skin Care while OZiva drove triple digit growth in Health & Wellbeing.

Within **Personal Care (PC)**, premium soaps grew in double digit while Bodywash delivered competitive growth. PC margins expanded 341bp YoY/179bp QoQ to 20.3%. **Foods** sales grew 3% YoY while volumes grew in low-single digit. Beverages performed strongly with Tea growing in high-single digit on the back of price as well as volumes and Coffee sustaining its double-digit growth.

GST impact: HUL transitioned ~40% of its portfolio to the 5% GST slab, revising prices across 1,200 SKUs and passing on the benefits. **While the shift caused temporary trade de-stocking and delayed buying (oral care, hair care, skin cleansing, packaged foods and ice cream)—improving consumer sentiment and premiumisation trends position HUL well for a near-term demand recovery (H2 growth to outstrip H1).**

What we do not like: B&W and Foods faced pressure with margins contracting 440bp/189bp YoY to 28.4%/16.3%. PC sales remain flat (due to GST transition) while volumes declined in high-single digit YoY, marking a fourth consecutive quarter of volume decline. Within Foods, packaged foods and Ice cream reported a muted performance due to GST transition and monsoon impact.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	160,610	157,290	2.1	165,140	(1.6)
EBITDA	37,290	37,390	(1.7)	37,180	0.3
Adjusted Profit	26,940	26,170	(4.0)	27,680	(13.2)
Diluted EPS (INR)	10.7	11.1	(4.0)	12.3	(13.2)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	631,210	672,042	726,225	787,453
Gross profit	325,430	339,704	378,191	410,068
Employee costs	30,770	33,576	33,322	35,330
Other expenses	61,990	64,412	74,050	82,704
EBITDA	148,510	154,005	176,776	190,061
Depreciation	13,550	15,007	16,245	17,937
Less: Interest expense	3,950	4,000	4,000	4,000
Add: Other income	10,170	10,176	10,340	11,371
Profit before tax	141,180	145,175	166,871	179,494
Prov for tax	37,440	34,987	41,718	43,509
Less: Other adj	0	0	0	0
Reported profit	103,520	110,188	125,153	135,985
Less: Excp.item (net)	2,970	0	0	0
Adjusted profit	106,490	110,188	125,153	135,985
Diluted shares o/s	2,350	2,350	2,350	2,350
Adjusted diluted EPS	45.3	46.9	53.3	57.9
DPS (INR)	42.0	42.2	47.9	52.1
Tax rate (%)	26.5	24.1	25.0	24.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Other exp (% of rev)	13.3	13.1	12.9	12.9
Con A&P (% of rev)	10.0	9.7	10.4	10.7
Gross margin (%)	51.6	50.5	52.1	52.1
EBITDA margin (%)	23.5	22.9	24.3	24.1
Net profit margin (%)	16.9	16.4	17.2	17.3
Revenue growth (% YoY)	2.2	6.4	8.1	8.4
EBITDA growth (% YoY)	1.3	3.7	14.8	7.5
Adj. profit growth (%)	3.6	3.5	13.6	8.7

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	87.0	90.0	91.0	91.0
Volume gr. (overall)	2.0	4.5	6.0	6.0
Pricing gr. (overall)	0.2	1.9	2.1	2.4
COGS % of sales (con)	48.4	49.5	47.9	47.9
Staff cost (% of rev)	4.9	5.1	4.7	4.6
Yield on cash	9.0	9.0	9.5	9.5
Dep (% of gross block)	9.6	9.6	9.4	9.4

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	58.4	56.4	49.7	45.7
Price/BV (x)	12.6	12.3	12.1	11.8
EV/EBITDA (x)	40.4	39.0	33.9	31.5
Dividend yield (%)	1.6	1.6	1.8	2.0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	2,350	2,350	2,350	2,350
Reserves	491,670	501,285	512,397	524,592
Shareholders funds	494,020	503,635	514,747	526,942
Minority interest	2,070	2,070	2,070	2,070
Borrowings	10	0	0	0
Trade payables	113,150	100,157	104,887	113,732
Other liabs & prov	118,890	118,890	118,890	118,890
Total liabilities	798,630	795,242	811,084	832,124
Net block	86,250	86,243	87,998	88,061
Intangible assets	457,100	457,100	457,100	457,100
Capital WIP	10,090	10,000	10,000	10,000
Total fixed assets	553,440	553,343	555,098	555,161
Non current inv	20	20	20	20
Cash/cash equivalent	113,050	108,818	119,670	133,352
Sundry debtors	38,190	38,665	39,793	43,148
Loans & advances	1,330	1,330	1,330	1,330
Other assets	68,810	69,275	71,382	75,323
Total assets	798,630	795,242	811,084	832,124

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	141,180	145,175	166,871	179,494
Add: Depreciation	13,550	15,007	16,245	17,937
Interest (net of tax)	3,950	4,000	4,000	4,000
Others	17,500	19,007	20,245	21,937
Less: Changes in WC	(3,860)	(13,934)	1,495	1,550
Operating cash flow	117,380	115,260	146,894	159,472
Less: Capex	14,900	14,910	18,000	18,000
Free cash flow	102,480	100,350	128,894	141,472

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	20.6	22.1	24.6	26.1
RoCE (%)	28.7	29.8	33.4	35.1
Inventory days	50	49	48	47
Receivable days	20	21	20	19
Payable days	130	117	108	106
Working cap (% sales)	9.0	9.9	10.5	11.2
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Interest coverage (x)	34.2	34.7	40.1	43.0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	3.6	3.5	13.6	8.7
RoE (%)	20.6	22.1	24.6	26.1
EBITDA growth (%)	1.3	3.7	14.8	7.5
Payout ratio (%)	95.3	90.0	90.0	90.0

Exhibit 1: Trends at a glance—Consolidated

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue (INR bn)	152.7	153.6	152.9	150.4	155.2	157.3	155.9	154.5	163.2
EBITDA (INR bn)	36.7	38.0	36.7	35.4	37.4	37.9	37.0	36.2	37.2
PAT (INR bn)	25.6	26.6	25.1	25.6	26.1	26.0	29.9	24.8	27.7
Overall volume growth (YoY)	2.0	2.0	2.0	4.0	3.0	-	2.0	4.0	FLAT
Overall net sales growth (YoY)	5.9	2.1	2.8	1.7	2.4	1.9	2.7	5.2	2.1
Gross margin	53.0	52.0	52.3	52.0	51.6	51.3	51.4	50.1	51.4
EBITDA margin	24.7	24.0	23.5	24.1	24.1	23.7	23.4	22.8	23.0
% sales growth (YoY)									
Home care	3.2	(1.3)	1.3	4.6	8.0	5.4	1.9	1.8	(1.2)
Beauty and personal care	5.0	0.3	(2.5)	NA	NA	NA	NA	NA	NA
Beauty and Wellbeing	NA	NA	NA	3.5	2.5	2.6	6.6	10.7	9.1
Personal Care	NA	NA	NA	(4.5)	(4.9)	(3.1)	3.1	6.5	0.6
Foods & Refreshments	2.6	0.9	3.1	1.4	(1.2)	0.3	(0.4)	4.3	1.7
Others	(9.4)	(1.8)	(11.6)	(15.2)	(5.2)	(12.0)	21.9	6.4	(1.6)
EBIT margins (%)									
Home care	19.1	18.2	19.5	20.0	19.4	18.9	18.8	19.5	19.1
Beauty and personal care	26.9	25.3	25.2	NA	NA	NA	NA	NA	NA
Beauty and Wellbeing	NA	NA	NA	30.5	32.8	28.6	32.0	27.5	28.4
Personal Care	NA	NA	NA	17.8	16.9	17.9	18.7	18.7	20.3
Foods & Refreshments	18.7	19.0	18.9	19.1	18.1	20.2	16.1	16.2	16.3
Others	31.1	30.9	15.9	22.6	21.6	17.6	19.0	18.5	19.2

Source: Company, Nuvama Research

Exhibit 2: CAGR trends (%)

Particulars	Q2FY21	Q2FY22	Q2FY23	Q2FY24	Q2FY25	Q2FY26	3-Yr CAGR (%)	4-Yr CAGR (%)	5-Yr CAGR (%)
Revenue (INR bn)	112.8	125.2	145.1	153.6	157.3	160.6	3.4	6.4	7.3
EBITDA (INR bn)	28.7	31.3	33.8	38.0	37.9	37.3	3.4	4.5	5.4
PAT (INR bn)	20.1	21.9	26.4	26.6	26.0	25.1	(1.7)	3.5	4.6
Overall volume growth (YoY)	1.0	4.0	4.0	2.0	3.0	FLAT	1.7	2.2	2.6

Source: Company, Nuvama Research

Exhibit 3: Trends at a glance—Standalone

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue (INR bn)	150.3	149.3	146.9	151.7	153.2	152.0	150.0	157.5	154.2
EBITDA (INR bn)	36.9	35.4	34.3	36.1	36.5	35.7	34.7	35.6	35.6
PAT (INR bn)	27.2	25.5	24.2	25.9	26.3	24.9	25.2	28.6	25.1
Overall volume growth (YoY)	2.0	2.0	2.0	4.0	3.0	-	2.0	3.0	NA
Overall net sales growth (YoY)	3.5	(0.4)	0.4	1.6	1.9	1.8	2.1	3.8	0.6
Gross margin	51.9	50.6	51.3	50.9	50.4	50.0	50.0	49.2	50.4
EBITDA margin	24.6	23.7	23.3	23.8	23.8	23.5	23.5	22.6	23.1
% sales growth (YoY)									
Home care	3.3	(1.3)	1.4	4.6	8.0	5.4	1.8	1.9	(1.2)
Beauty and personal care	4.5	(0.2)	(2.7)	NA	NA	NA	NA	NA	NA
Beauty and Wellbeing	NA	NA	NA	3.1	1.5	1.4	4.2	4.7	2.0
Personal Care	NA	NA	NA	(4.5)	(4.9)	(3.0)	3.0	6.5	0.6
Foods & Refreshments	2.6	0.9	3.1	1.4	(1.2)	0.3	(0.4)	4.3	1.7
Others	4.1	3.4	(33.7)	(29.5)	(23.4)	(21.5)	45.3	5.7	0.4
EBIT margins (%)									
Home care	18.7	17.7	18.9	19.5	18.9	18.4	18.2	18.9	18.5
Beauty and personal care	27.2	25.6	25.5	NA	NA	NA	NA	NA	NA
Beauty and Wellbeing	NA	NA	NA	31.4	33.7	29.4	33.3	29.2	30.4
Personal Care	NA	NA	NA	17.5	16.6	17.6	18.5	18.5	20.1
Foods & Refreshments	18.7	19.0	18.9	19.1	18.1	20.2	16.1	16.2	16.3
Others	42.4	39.7	21.0	17.0	18.5	19.4	15.6	17.4	17.9

Source: Company, Nuvama Research

Exhibit 4: Key management commentary - Outlook

Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Company expects stable demand with low single-digit price growth if commodity costs persist. Management is watchful of rural wages, inflation, and employment. HUL aims to sustain healthy EBITDA margins through productivity savings and balanced pricing while driving volume growth, transforming the portfolio in high-growth segments, and investing behind brands and strategic priorities.	Company expects demand moderation to persist in the near term with gradual rural recovery and soft urban growth. EBITDA to stay at lower end of 23–24% amid input inflation. Beauty & Wellbeing margins (~30%) to dip due to premiumisation investments, partly offset by strong growth.	Growth trends are likely to improve gradually due to accelerated portfolio transformation and improving macro conditions with H1FY26 likely to be better than H2FY25. Price growth is likely to be in low single digit with commodity deflation in parts of portfolio largely offsetting inflation in others. EBITDA margins are likely to moderate to 22–23% range for next two–three quarters. Company expects margins to improve after 2–3 quarters if commodity prices remain stable	Company expects H1FY26 to be better than H2FY25. With current commodity price levels, HUL anticipates low single-digit price growth. EBITDA margin to remain in the 22–23% range. Focused on driving competitive volume-led growth	HUL expects H2FY26 to be better than H1FY26. Aims for 50–60bp improvement in EBITDA margin above current guidance of 22–23% due to demerger of the ice cream business. If commodity prices remain at current levels, it expects low single-digit pricing growth. HUL reaffirmed commitment to volume-led growth over margin maximisation with adequate leverage to maintain profitability within guided range. Normal trading conditions are anticipated to start in early November once prices stabilises.

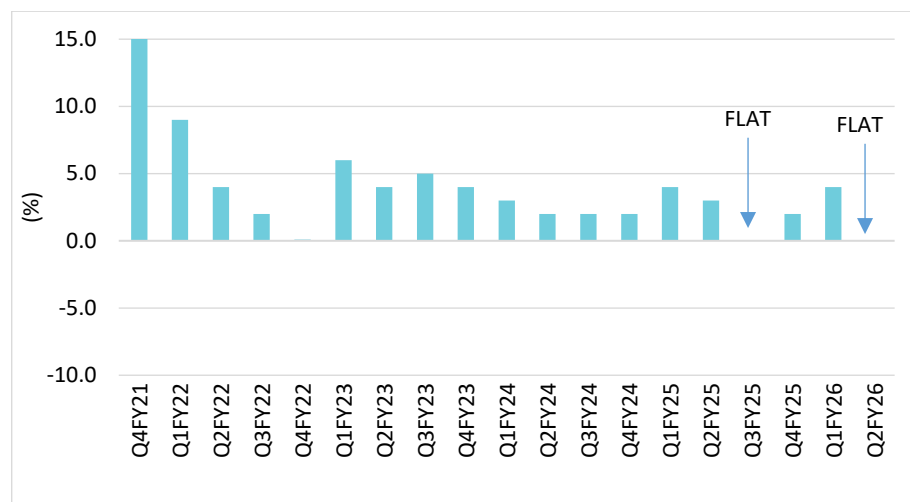
Source: Company, Nuvama Research

Exhibit 5: Key management commentary – Revenue, Margins and Demand

	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue	Consolidated revenue grew 2% YoY, led by 3% volume growth. Standalone revenue grew 3% YoY.	Consolidated revenue grew 1.6% YoY, flat volumes. Standalone revenue grew 1.4% YoY.	Consolidated revenue grew 2% YoY, led by 2% volume growth. Standalone revenue grew 3% YoY.	Consolidated revenue grew 5% YoY, led by 4% volume growth. Standalone revenue grew 4% YoY, led by 3% volume growth.	Consolidated revenue grew 2% YoY while volumes were flat YoY. Standalone revenue grew 0.5% YoY.
Margins	EBITDA margin remained healthy at 23.8% in Q2FY25. Gross margin declined 150bp YoY to 50.4% in Q2FY25. Organised trade channels typically offer better margins compared with general trade due to different portfolio mix.	Gross margin was 50% in Q3 2024, down 70bp YoY while EBITDA margin stayed healthy at 23.5% within their target range of 23–24%.	Gross margin contracted 160bp YoY to 49.8%, driven by commodity inflation in palm oil, tea and coffee that was not fully priced for. Management has guided for EBITDA margins of 22–23% for next 2–3 quarters (versus previous 23–24% range) due to: - Increased investments across P&L lines - Commodity inflation impacts - Focus on growth over margins.	EBITDA margin was 22.8%, down 130bp YoY, but in line with guidance. Gross margin fell 190bp YoY to 49.5% due to pricing investments. EBITDA margin to stay in the 22–23% range and sees sequential gross margin gains from narrowing price-cost gap, higher productivity, and better mix, with improvements to be reinvested in the business.	EBITDA margin was 23%, down 86bp YoY at the higher end of the guidance. Gross margin fell 13bp YoY, but improved 134bp QoQ to 50.9% due to easing RM prices.
Demand	Market volumes stayed muted in Q2 2025, with gradual rural recovery and moderating urban growth. The company expects stable demand ahead, monitoring rural wages, inflation, and employment. Large-city growth is slowing while smaller towns and rural areas outperform. Premium segments continue to grow ~30% faster, with steady upgradation across markets.	Total FMCG volume growth has slowed with subdued demand, showing urban growth moderating while rural recovery continues gradually. There is increased growth in small pack sizes across the portfolio, which management views as a transitory shift due to current macroeconomic conditions. Management expects current moderation in demand trends to continue in the near term with recovery pace dependent on factors such as real wage growth, food inflation and employment levels	Small packs grew faster than large packs in December quarter, but this trend has moderated and premium brands are now growing faster. Premium segment growth, while still faster than market average, shows a smaller gap compared to historical trends, reflecting consumption stress	Consumption demand improved sequentially over the last three months, but stayed stable on a MAT basis, with rural growth outpacing urban. The company expects a sustained recovery with H1FY26 likely stronger than H2FY25. Demand is supported by lower inflation (2.1% in June), tax relief, favourable monsoon and a 100bp repo cut since Jan-25. Rural recovery is aided by easing food inflation, government schemes, good agri output, and rising non-farm income.	HUL sees macro tailwinds from GST reform, low inflation, direct tax relief, and monetary easing; however, benefits will come gradually. Risks: potential short or mild winter could impact seasonal demand; continued monitoring of weather patterns and agricultural output. For non-price point packs, new MRPs are reaching the market on old MRP inventory. For price-point packs (INR1/2/5), grammage has been increased.

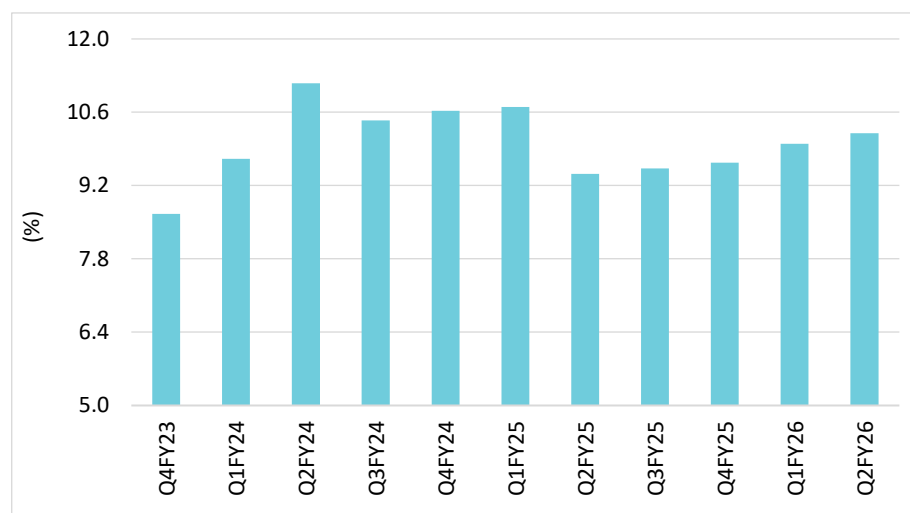
Source: Company, Nuvama Research

Exhibit 6: Volume growth trends YoY (%)



Source: Company, Nuvama Research

Exhibit 7: A&P as a percentage of sales



Source: Company, Nuvama Research

Exhibit 8: Q2FY26 operating environment



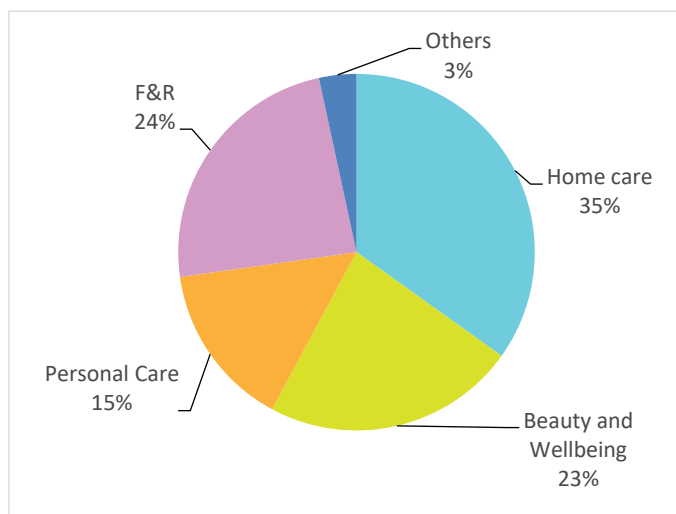
Source: Company, Nuvama Research

Exhibit 9: GST transition impact on HUL's portfolio

What changed	Our approach	Consumption tailwinds	Transitory business disruption				
 ~40% portfolio transitioned to 5% GST	<table><tr><td>Pricing & grammage actions taken</td><td>Revision across 1,200+ SKUs</td></tr><tr><td>Support extended to trade</td><td>Clear pricing comms rolled out</td></tr></table> Agile execution to pass on entire benefit to consumers	Pricing & grammage actions taken	Revision across 1,200+ SKUs	Support extended to trade	Clear pricing comms rolled out	 Disposable income  Consumer sentiment  Premiumisation upside Augurs well for improving demand	 Trade de-stocking  Delayed consumer buying  Pricing transitions Adverse sales impact in the quarter
Pricing & grammage actions taken	Revision across 1,200+ SKUs						
Support extended to trade	Clear pricing comms rolled out						

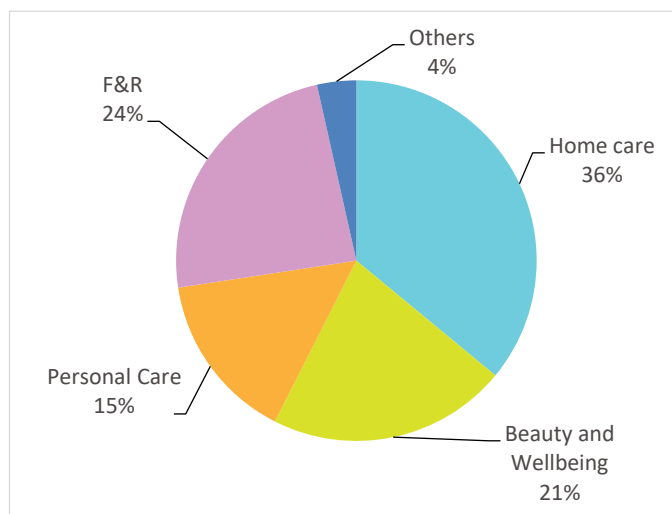
Source: Company, Nuvama Research

Exhibit 10: Contribution by category – Q2FY26 revenue



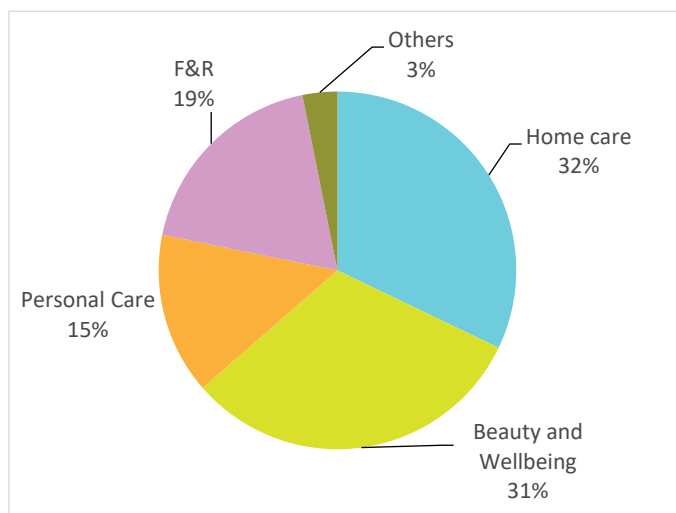
Source: Company, Nuvama Research

Exhibit 11: Contribution by category – Q2FY25 revenue



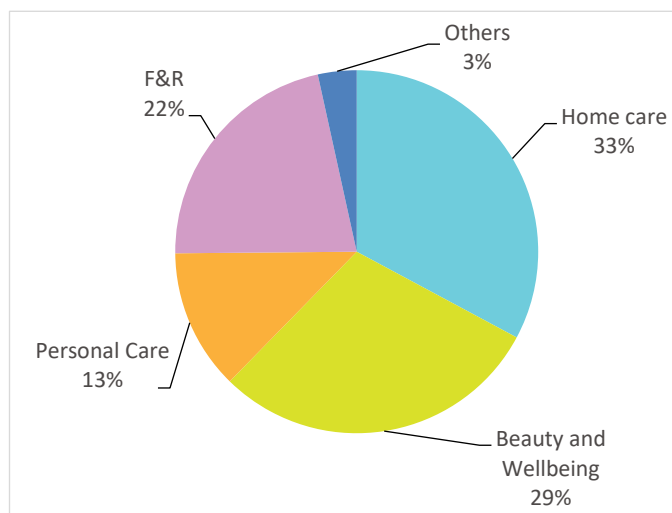
Source: Company, Nuvama Research

Exhibit 12: Contribution by category – Q2FY26 EBIT



Source: Company, Nuvama Research

Exhibit 13: Contribution by category – Q2FY25 EBIT



Source: Company, Nuvama Research

Q2FY26 conference call takeaways

Detailed takeaways

Outlook

- HUL expects H2FY26 to be better than H1FY26.
- Aims for 50–60bp improvement in EBITDA margin above current guidance of 22–23% due to demerger of the ice cream business.
- If commodity prices remain at current levels, it expects low single-digit pricing growth.
- HUL reaffirmed commitment to volume-led growth over margin maximisation, with adequate leverage to maintain profitability within guided range.
- Normal trading conditions are anticipated to start in early November once prices stabilise.
- Minimalist acquisition continues to perform well, recording strong double-digit growth in H1FY26. It will continue to evaluate bolt-on acquisitions in the beauty and wellness segments.
- Nutrition and well-being represent future growth areas, driven by increasing focus on longevity and fitness.

GST transition

- The GST rate cut to 5% has benefited about 40% of HUL's portfolio, including skin cleansing, hair care and packaged foods.
- In response, HUL passed on the entire tax benefit to consumers through pricing and grammage adjustments across 1,200-plus SKUs.
- The transition caused short-term trade disruptions such as channel destocking, delayed consumer purchases, and temporary coexistence of old and new MRPs.
- Management estimates a ~2% impact on overall volume growth from GST transition during Q2FY26.
- Trade normalisation likely by early November 2025 with GST reforms seen as a positive long-term consumption catalyst due to higher affordability and premiumisation potential.
- For non-price point packs, new MRPs are reaching the market on old MRP inventory. For price-point packs (INR1/2/5), grammage has been increased.

Ice cream demerger

- The demerger of the ice cream business (~3% of sales) is on track for completion by Dec'25, with listing likely in Q4FY26, subject to approvals.
- From Q3FY26 onwards, HUL will report results excluding the ice cream business, which will be classified as discontinued operations.
- The segment posted YoY sales fall due to extended monsoon and GST transition.

Demand environment

- Underlying FMCG demand remains stable with both rural and urban contributing positively.
- Urban demand continues to grow steadily while rural growth has normalised, aided by easing inflation and improved water tables.
- HUL sees macro tailwinds from GST reform, low inflation, direct tax relief and monetary easing; however, benefits will come gradually.
- Risks: potential short or mild winter could affect seasonal demand; continued monitoring of weather patterns and agricultural output.

Pricing

- Sales growth in Q2FY26 i.e. 2% was largely price led, driven by carry forward pricing in skin cleansing, beverages, and skincare.
- Home care pricing dipped ~10% due to commodity deflation (notably crude) and competitive actions.
- Sequential improvement in price-cost equation aided gross margin recovery.

Raw materials

- Commodity trends remained divergent during the quarter.
- Inflationary pressure persisted in palm oil and surfactants (S&P) while tea and crude prices softened.
- Sequential 130bp improvement in gross margins indicates partial easing of input cost pressures.
- Crude oil deflation (~10% YoY) allowed the company to reduce prices in home care categories.
- Tea prices trended lower, supporting beverage margins while palm oil volatility continues to be a watch factor for personal care segment.

Segmental performance

Home Care (19% margin)

- Home care segment reported flat sales growth with mid-single digit volume growth.
- Mid-single-digit negative pricing driven by lower crude oil costs (down 10% YoY) and competitive pressures.
- Fabric wash: Mid-single digit volume growth driven by outperformance in liquids portfolio.
- Liquid detergent: Volume grew in strong double-digit.
- Household care: Double-digit volume growth led by dishwash, fuelled by premiumisation and market development actions.

Beauty and Wellbeing (28% margin)

- This segment clocked 5% YoY sales growth with flat volume growth.
- Hair Care sales fell YoY due to transitory impact of GST rate across 90% of its portfolio.
- Skin Care and Colour Cosmetics grew in high-single digit driven by continued momentum in Future Core and Market Makers portfolio and a well-executed winter loading ahead of the season.
- Health & Wellbeing segment sustained strong momentum, driven by OZiva which grew in triple-digit.
- Beauty segment's growth is driven by three key trends: Desirability of brands, Social-first discovery and Robust innovation.
- It will continue reshaping beauty regimes in India, expanding offerings from simple to complex routines across skin, hair, and colour cosmetics.

Personal Care (20% margin)

- This segment reported flat sales growth because of GST rate transitions with high single digit decline in volume.
- More than 90% of portfolio went under GST transition, which hurt volumes.
- Oral Care posted a marginal decline due to GST rate transition while Closeup posted low single-digit growth.
- Skin Cleansing delivered a resilient performance, supported by double-digit growth in premium soaps.
- Bodywash continued to gain traction, further strengthening its market share and competitive edge.
- Re-launched Pears and expanded Lux International soap range with refreshed packaging and an upgraded value proposition.
- Glow and Lovely Glass Bright crème performed well ahead of expectations.
- India's skincare market is evolving towards multi-step regimes (moisturisers and face washes) rather than single-product usage.
- Radical and bold transformation to modernise and rejuvenate Lifebuoy's brand positioning.

Foods & Refreshments (16% margin)

- Foods clocked growth of 3% YoY while volumes clocked low-single digit growth.
- All categories except tea have undergone rate revision in GST.
- Lifestyle Nutrition showed early green shoots, driven by sustained UVG, though sales fell due to prior pricing actions aimed at refining pack-price architecture.
- Beverages grew in double digits.
- Packaged Foods delivered a subdued performance, affected by GST transition.
- Market Makers continued its robust growth trajectory, maintaining momentum.

- Ice cream turnover declined YoY, primarily due to prolonged monsoons and GST transition.
- The company sees early signs of recovery in Horlicks and plans to intensify its focus on the brand.
- Tea: Tea posted high single-digit growth, supported by a healthy mix of price and volume. Tea is a price-elastic category, benefiting from declines in raw material costs.
- Coffee: Coffee sustained its strong double-digit growth led by pricing, reinforcing category strength.

New launches

- Homecare - Launched Comfort Perfume Deluxe a premium fabric conditioner range by featuring a unique perfume-first formulation that delivers a sophisticated fragrance experience for clothes.
- Foods and refreshments - Key launches include Horlicks PRO Fitness, a science-backed meal replacement solution (60% less calories compared with average Indian meal) and BRU Gold Edition (premium coffee).
- Beauty and Wellbeing—Launched Pond's Hydra Miracle Ultralight Biome Moisturiser, Vaseline Cloud Soft for Indian facial skin, OZiva Phyto Ceramides and Collagen Builder.

Market leadership

- The company holds a leadership position in 85% of its businesses with 19 brands generating annual sales of over INR10bn each.
- It engages in more than 80bn consumer interactions annually, reaches over 9mn retailers across markets and continues to drive growth through category-defining innovations.

Channel performance

- Channel mix currently stands at ~70% GT, ~20%MT, ~8% E-com.
- Invest in channel-specific activation and portfolio deployment, ensuring each format receives differentiated execution and product strategies.

Price elasticity across categories

- High elasticity: Skin cleansing and tea; here volume responds to price changes/commodity cost shifts; consumers may downgrade to lower-priced options.
- Moderate/low elasticity: Home care is resilient to price hikes; even with >20% price growth, mid-single-digit volume growth maintained.
- Discretionary products: Horlicks and select skincare categories benefit from improvements in net disposable income, reflecting sensitivity to income rather than just price.

Others

- The Board of Directors declared an interim dividend of INR19/share for year for Q2FY26.

- A&P expenses increased 80bp YoY to 10.3% of sales. More than >50% of marketing investments are digital.
- Trade pipelines are adequately stocked for the winter season.
- Urban markets account for two-thirds of FMCG consumption while rural markets are where two-thirds of Indians live and earn their livelihood.

Exhibit 14: Segmental performance - consolidated

Year to March - Revenues (INR mn)	Q2FY26	Q2FY25	YoY growth	Q1FY26	QoQ growth
Home care	56,640	57,310	(1.2)	57,770	(2.0)
Beauty and Wellbeing	37,320	34,210	9.1	36,310	2.8
Personal Care	24,250	24,110	0.6	25,400	(4.5)
Foods & Refreshments	38,690	38,030	1.7	40,160	(3.7)
Others (includes exports, infant and feminine care etc)	5,510	5,600	(1.6)	5,500	0.2
Segment results (Profit/(Loss) before tax and interest)	-				
Home care	10,830	11,140	(2.8)	11,290	(4.1)
Beauty and Wellbeing	10,610	11,230	(5.5)	9,990	6.2
Personal Care	4,920	4,070	20.9	4,750	3.6
Foods & Refreshments	6,290	6,900	(8.8)	6,520	(3.5)
Others (includes exports, infant and feminine care etc)	1,060	1,210	(12.4)	1,020	3.9
Segment margins					
Margin (%)					
Home care	19.1	19.4	(32)	18.9	22
Beauty and Wellbeing	28.4	32.8	(440)	29.2	(74)
Personal Care	20.3	16.9	341	18.5	179
Foods & Refreshments	16.3	18.1	(189)	16.2	2
Others (includes exports, infant and feminine care etc)	19.2	21.6	(237)	17.4	188

Source: Company, Nuvama Research

Exhibit 15: Consolidated financial snapshot

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change
Net sales	160,610	157,290	2.1	163,230	(1.6)
Other income-operational	1,800	1,970	(8.6)	1,910	(5.8)
Net revenues	162,410	159,260	2.0	165,140	(1.7)
Cost of goods sold	78,930	77,090	2.4	82,410	(4.2)
Gross profit	83,480	82,170	1.6	82,730	0.9
Staff cost	7,500	8,220	(8.8)	7,260	3.3
Advertising & promotions	16,610	15,010	10.7	16,560	0.3
Other expenditure	22,080	21,010	5.1	21,730	1.6
Total expenditure	46,190	44,240	4.4	45,550	1.4
EBITDA	37,290	37,930	(1.7)	37,180	0.3
Depreciation/Amortisation	3,580	3,380	5.9	3,610	(0.8)
EBIT	33,710	34,550	(2.4)	33,570	0.4
Interest Expense	1,290	1,100	17.3	1,270	1.6
Other income	1,470	2,190	(32.9)	2,010	(26.9)
Profit Before Tax	33,890	35,640	(4.9)	34,310	(1.2)
Provision for tax	8,760	9,470	(7.5)	5,350	63.7
Exceptional Item Net of Tax	1,810	(220)	(922.7)	(1,280)	(241.4)
Reported profit	26,940	25,950	3.8	27,680	(2.7)
Prior period (Net of tax)	0	0	NM	0	NM
Exceptionals (Net of tax)	1,810	(220)	(923)	(1,280)	(241)
Adjusted profit	25,130	26,170	(4.0)	28,960	(13.2)
No. of Diluted shares outstanding (mn)	2,350	2,350	0.0	2,350	0.0
Adjusted Diluted EPS	10.7	11.1	(4.0)	12.3	(13.2)
as % of net sales					
COGS	49.1	49.0	13	50.5	(134)
Staff costs	4.7	5.2	(56)	4.4	22
Advertising & promotions	10.3	9.5	80	10.1	20
Other expenditure	13.7	13.4	39	13.3	44
EBITDA	23.2	24.1	(90)	22.8	44
EBIT	21.0	22.0	(98)	20.6	42
PBT	21.1	22.7	(156)	21.0	8
Net profit	15.6	16.6	(99)	17.7	(210)
Tax rate	25.8	26.6	(72)	15.6	1,026

Source: Company, Nuvama Research

Exhibit 16: Segmental performance - Standalone

Year to March - Revenues (INR mn)	Q2FY26	Q2FY25	YoY growth	Q1FY26	QoQ growth
Home care	56,670	57,370	(1.2)	57,830	(2.0)
Beauty and Wellbeing	33,890	33,230	2.0	33,490	1.2
Personal Care	24,260	24,120	0.6	25,410	(4.5)
Foods & Refreshments	38,690	38,030	1.7	40,160	(3.7)
Others (includes exports, infant and feminine care etc)	2,340	2,330	0.4	2,420	(3.3)
Segment results (Profit/(Loss) before tax and interest)					
Home care	10,500	10,870	(3.4)	10,930	(3.9)
Beauty and Wellbeing	10,310	11,210	(8.0)	9,770	5.5
Personal Care	4,870	4,010	21.4	4,700	3.6
Foods & Refreshments	6,290	6,900	(8.8)	6,520	(3.5)
Others (includes exports, infant and feminine care etc)	420	430	(2.3)	420	0.0
Segment margins					
Margin (%)					
Home care	18.5	18.9	(42)	18.9	(37)
Beauty and Wellbeing	30.4	33.7	(331)	29.2	125
Personal Care	20.1	16.6	345	18.5	158
Foods & Refreshments	16.3	18.1	(189)	16.2	2
Others (includes exports, infant and feminine care etc)	17.9	18.5	(51)	17.4	59

Source: Company, Nuvama Research

Exhibit 17: Standalone financial snapshot

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change
Net sales	154,180	153,190	0.6	157,470	(2.1)
Other income-operational	1,670	1,890	(11.6)	1,840	(9.2)
Net revenues	155,850	155,080	0.5	159,310	(2.2)
Cost of goods sold	77,330	75,930	1.8	80,890	(4.4)
Gross profit	78,520	79,150	(0.8)	78,420	0.1
Staff cost	6,770	7,650	(11.5)	6,570	3.0
Advertising & promotions	15,270	14,640	4.3	15,560	(1.9)
Other expenditure	20,850	20,390	2.3	20,710	0.7
Total expenditure	42,890	42,680	0.5	42,840	0.1
EBITDA	35,630	36,470	(2.3)	35,580	0.1
Depreciation/Amortisation	3,240	3,050	6.2	3,240	0.0
EBIT	32,390	33,420	(3.1)	32,340	0.2
Interest Expense	1,110	990	12.1	1,100	0.9
Other income	2,280	3,090	(26.2)	2,470	(7.7)
Profit Before Tax	33,560	35,520	(5.5)	33,710	(0.4)
Provision for tax	8,500	9,240	(8.0)	5,120	66.0
Exceptional Item Net of Tax	1,840	(160)	(1,250.0)	(1,270)	(244.9)
Reported profit	26,900	26,120	3.0	27,320	(1.5)
Prior period (Net of tax)	0	0	NM	0	NM
Exceptionals (Net of tax)	1,840	(160)	(1,250)	(1,270)	(245)
Adjusted profit	25,060	26,280	(4.6)	28,590	(12.3)
No. of Diluted shares outstanding (mn)	2,350	2,350	0.0	2,350	0.0
Adjusted Diluted EPS	10.7	11.2	(4.6)	12.2	(12.3)
as % of net sales					
COGS	50.2	49.6	59	51.4	(121)
Staff costs	4.4	5.0	(60)	4.2	22
Advertising & promotions	9.9	9.6	35	9.9	2
Other expenditure	13.5	13.3	21	13.2	37
EBITDA	23.1	23.8	(70)	22.6	51
EBIT	21.0	21.8	(81)	20.5	47
PBT	21.8	23.2	(142)	21.4	36
Net profit	16.3	17.2	(90)	18.2	(190)
Tax rate	25.3	26.0	(69)	15.2	1,014

Source: Company, Nuvama Research

Company Description

Hindustan Unilever (HUL) is the largest fast-moving consumer goods (FMCG) player in India. The company operates through segments—home care, personal care, foods & refreshments, and other operations. With 50+ brands spanning categories such as fabric solutions, home and hygiene, life essentials, skin cleansing, skincare, hair care, colour cosmetics, oral care, deodorants, tea, coffee, ice cream & frozen desserts, foods and health food drinks, the company is part of the everyday life of millions of consumers across India. Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf excel, Rin, Wheel, Glow & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Simple, Love Beauty Planet, TRESemmé, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's, Horlicks and Pureit.

Investment Thesis

HUL is a play on consumption growth in India. The company has proved its ability to effect price hikes and ability to grow ahead of market, which, combined with improved outlook for S&D and personal care, and strong growth in processed foods and beverages, boosts our positive outlook on the company. HUL has strongly entered the naturals category and termed it a mega trend.

Key Risks

- INR depreciation affects price of imported raw materials.
- The price war in HUL's popular segments with new entrants entering the fray could hit the company hard.
- If any corrections in raw materials happens, competition from regional players pose some risk.

Additional Data

Management

MD	Ms Priya Nair
CFO	Mr Ritesh Tiwari
Exec Director	Mr Vivek Mittal
Exec Director	Mr Biddappa Ponnappa
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	6.01	Nippon Life Ind	0.70
SBI Funds Manag	1.70	Uti Asset Manag	0.56
Vanguard Group	1.69	Norges Bank	0.37
Blackrock Inc	1.56	HDFC Asset Mana	0.33
Icici Prudentia	1.27	Credit agricole	0.33

*Latest public data

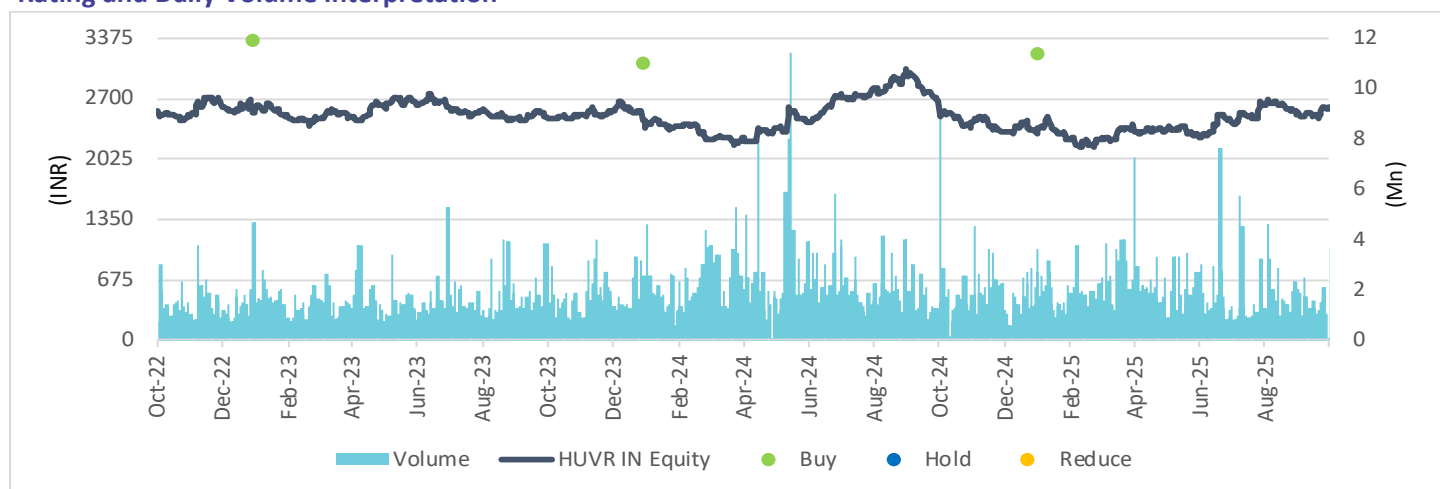
Recent Company Research

Date	Title	Price	Reco
31-Jul-25	Rohit ends innings on a high ; <i>Result Update</i>	2,521	Buy
24-Jun-25	Annual Report Insights: FY25; <i>Company Update</i>	2,275	Buy
24-Apr-25	Investment step up for stronger Core; <i>Result Update</i>	2,325	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
16-Oct-25	Nestle India	New MD starts with a sixer; <i>Result Update</i>
07-Oct-25	Godrej Consumer	Home care shines; Soap lags; <i>Nuvama Flash</i>
07-Oct-25	Dabur India	In-line with expectations; <i>Nuvama Flash</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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