ADD (Maintain)

CMP: INR 2,572 Target Price: INR 2,850 ▲ 11%

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23 September 2025

India | Equity Research | Company Update

Hindustan Unilever

Consumer Staples & Discretionary

Thank you, Rohit Jawa! Execution in the time of adversity

Rohit Jawa took the helm as HUL's CEO in Jun'23 – a particularly tempestuous time for the FMCG industry. At the time, the industry was mired with high food inflation, volatile raw material prices, intense competition and slower demand in both rural and urban markets. Under his stewardship, HUL navigated these choppy waters by keenly focusing (ASPIRE strategy) on premium products, sharpening its portfolio, strengthening its D2C presence, and upgrading its manufacturing and distribution systems. The launch of STRATOS technology in soaps was a bold move in a tough, price-sensitive market. In parallel, HUL expanded its premium portfolio via liquids, accelerated digital initiatives, targeted specific sales channels (under WIMI 2.0) and improved its supply chain; thus, gaining agility and resilience. Early signs are encouraging (margin/market share protection), but scaling up remains the imperative.

Even though difficult market conditions limited short-term growth, Rohit has laid a solid foundation in core and new categories, sustainability, and digital. Now, the responsibility shifts to his successor, Priya Nair, to turn these strategic moves into consistent volume growth and accelerated TSR. We maintain **ADD** with an unchanged target price of INR 2,850.

Strategic direction and key initiatives

- **ASPIRE strategy** anchored on Core, Future Core, and Market Makers, with category-specific growth plans (premium face and hair, home care, condiments, mini meals, prestige and wellbeing).
- **Digital transformation with media spends** trebling over 2020–24; ~40% of investments now digital, skewed towards premium brands.
- **Strengthened D2C play** – scaling OZiva (INR 1bn to INR 4bn) and acquiring Minimalist to accelerate growth in high-potential beauty and wellbeing categories.
- **Portfolio rationalisation** through exit from ice cream and water, sharpening focus on core businesses.
- Enhanced rural reach and regional execution via **WIMI 2.0**, expanded presence in Beauty PRO, chemist, and food speciality channels.
- **Manufacturing and supply chain reset** – commissioning new units in Home Care and Foods, optimising network to reduce cost-to-serve, and embedding sustainability targets in operations.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	604,690	614,690	653,788	709,169
EBITDA	141,900	142,890	147,762	166,839
EBITDA Margin (%)	23.5	23.2	22.6	23.5
Net Profit	102,030	102,220	105,279	118,184
EPS (INR)	43.4	43.5	44.8	50.3
EPS % Chg YoY	1.8	0.2	3.0	12.3
P/E (x)	59.2	59.1	57.4	51.1
EV/EBITDA (x)	41.7	41.5	40.2	35.5
RoCE (%)	19.2	19.2	20.5	23.4
RoE (%)	20.2	20.4	21.7	24.4

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Market Data

Market Cap (INR)	6,044bn
Market Cap (USD)	68,449mn
Bloomberg Code	HUVR IN
Reuters Code	HLL.BO
52-week Range (INR)	3,023 /2,136
Free Float (%)	38.0
ADTV-3M (mn) (USD)	49.1

Price Performance (%)	3m	6m	12m
Absolute	11.5	14.5	(13.3)
Relative to Sensex	11.8	7.7	(10.5)

ESG Score	2023	2024	Change
ESG score	**72.2**	**72.0**	**(0.2)**
Environment	55.7	57.3	1.6
Social	71.0	69.8	(1.2)
Governance	81.4	85.0	3.6

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

01-08-2025: Q1FY26 results review
25-04-2025: Q4FY25 results review

Category performance and actions

Home care (37%/33% of revenue/profitability): Before Rohit Jawa took charge, Home Care saw a strong 23% CAGR during FY21–23 on the back of: 1) higher hygiene awareness during Covid-19; and 2) price hikes due to rising raw material costs. Even after that high base, slowdown in the economy, and deflation in input costs, the category kept growing through higher volumes and a push towards premium products. Under Rohit Jawa, HUL held on to its market share despite price deflation, launched liquid Rin to counter GCPL's Fab (and others), introduced new and premium products in dishwash and fabric care, and expanded premium formats in Comfort.

Beauty and wellbeing (21%/32% of revenue/profitability): Before FY23, this category was struggling due to competition from D2C brands and weak innovation in legacy brands. Under Rohit Jawa, performance improved, with volume growth reaching high single-digits by Q1FY26. This recovery came on the back of –

- Breaking the category into sub-segments (suncare, light moisturiser, serum treatment, face cleansing, deseasonalise body, masstige)
- Refreshing legacy brands (e.g., premiumisation of Pond's, active-ingredient based Lakmé)
- Higher spending on digital advertising (60% of spends on digital media); and
- More focus on premium products and new launches

Personal care (15%/12% of revenue/profitability): Rohit Jawa introduced STRATOS technology in soaps to improve structure, fragrance, and longevity. This move aided margins and protected market share in a competitive, price-sensitive category. Despite sharp increases in palm oil and palm derivatives prices in FY24–25, HUL's EBIT margins stayed healthy at 18–19%, while GCPL's overall gross/EBITDA margin contracted ~500bps/~200bps. HUL also pushed body wash aggressively (5x growth and 2x profitability), supporting both premiumisation and margins.

Foods and refreshments (25%/22% of revenue/profitability): Nutrition has been weak, so HUL is focusing on core apart from new products, and science-based adult nutrition to increase consumption frequency. It has also adjusted pricing to improve value perception in this category. Tea and coffee faced high inflation and stronger competition from regional brands, but HUL managed to maintain healthy market share by launching regional pack-price formats.

Execution gains

- HUL made sharper portfolio choices, aligned with its 'India for India' strategy.
- The company increased investments in innovation and premium categories, driving mix improvement.
- Channel segmentation and distribution reach improved, particularly in chemists, PRO, and rural markets.
- AI/ML-led demand forecasting and digital sales tools were embedded to enhance service levels and reduce stock-outs.

Challenges and misses

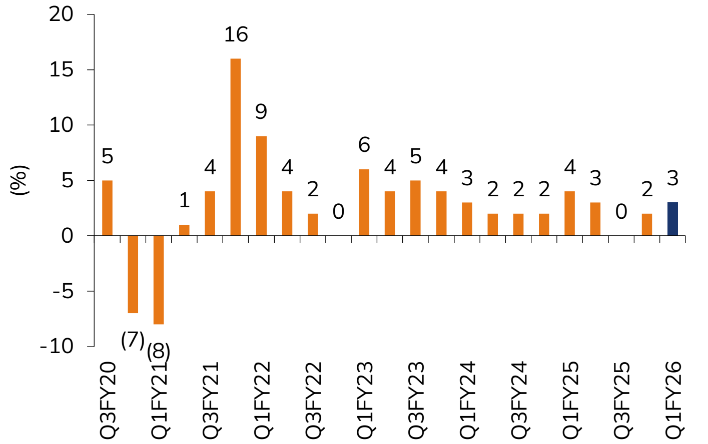
- Financial performance was weak, with ~2% CAGR (FY23–25) and TSR underperforming FMCG peers.
- Rural recovery remained slower than expected, despite distribution expansion.
- The nutrition portfolio struggled with its price-value equation, while tea and coffee were affected by inflation and market challenges.

- Several premium bets have yet to scale meaningfully, and innovation in mass/value segments lagged.
- Home care's value growth was constrained by category deflation, while some beauty and wellbeing sub-categories underperformed.
- Execution in modern trade was impacted by retailer consolidation and increasing competition from local brands in select categories.

Valuation and risks

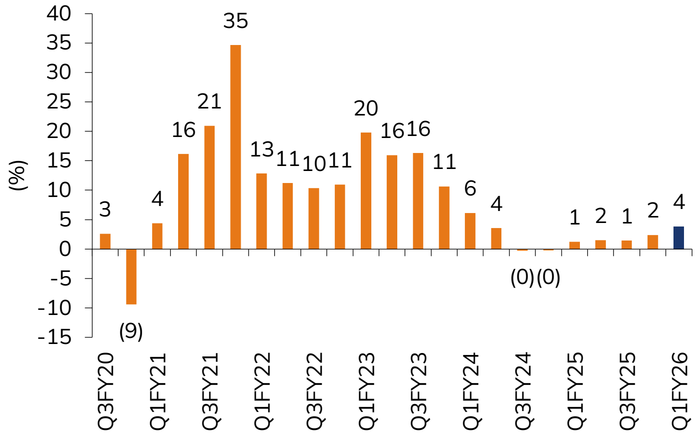
We model revenue/EBITDA/PAT CAGRs of 7/8/8 (%) over FY25–27E. Maintain **ADD** with an unchanged DCF-based target price of INR 2,850. **Key downside risks** are delayed recovery in demand, and irrational competition. **Key upside risks** are better-than-expected recovery in rural demand and reduction in competitive intensity.

Exhibit 1: Volume growth



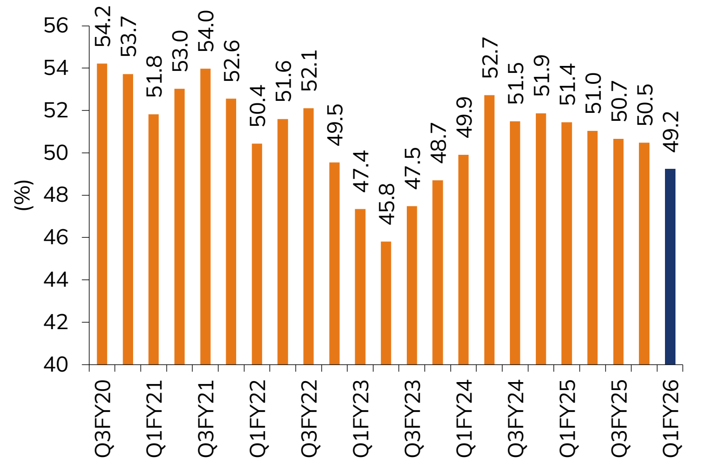
Source: Company data, I-Sec research

Exhibit 2: Revenue growth



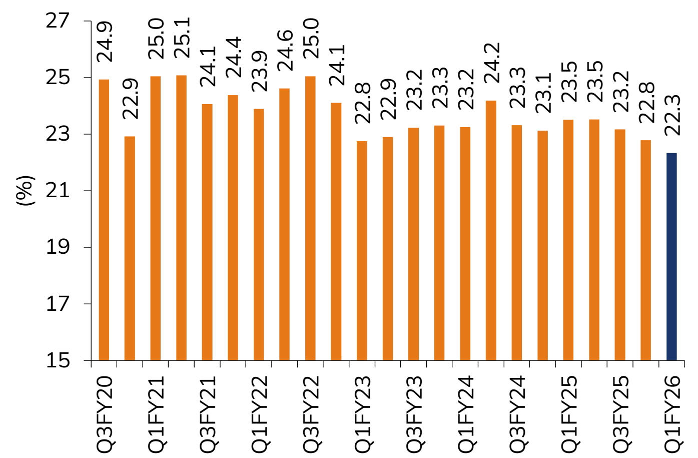
Source: Company data, I-Sec research

Exhibit 3: Gross margin



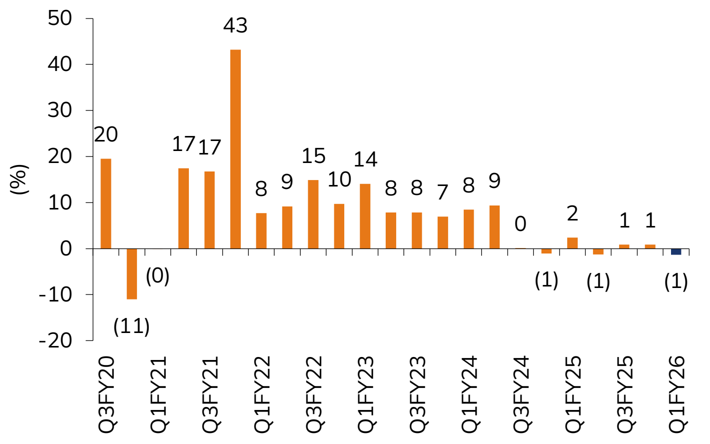
Source: Company data, I-Sec research

Exhibit 4: EBITDA margin



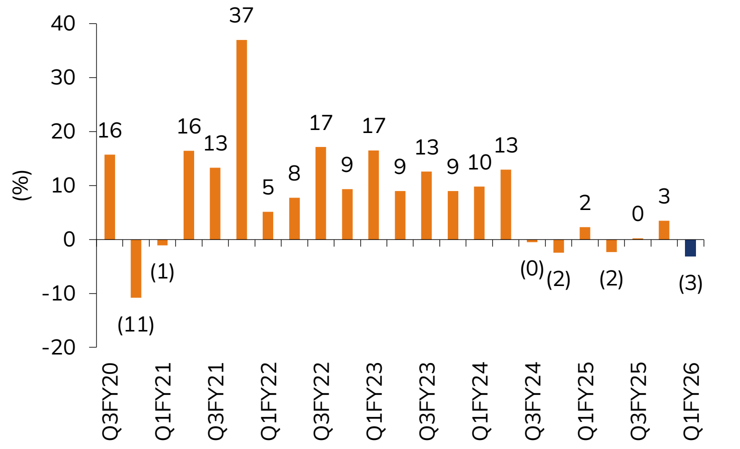
Source: Company data, I-Sec research

Exhibit 5: EBITDA growth



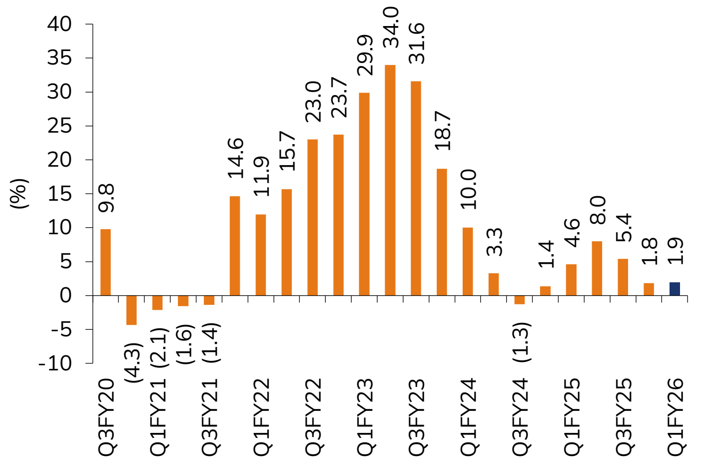
Source: Company data, I-Sec research

Exhibit 6: PBT growth



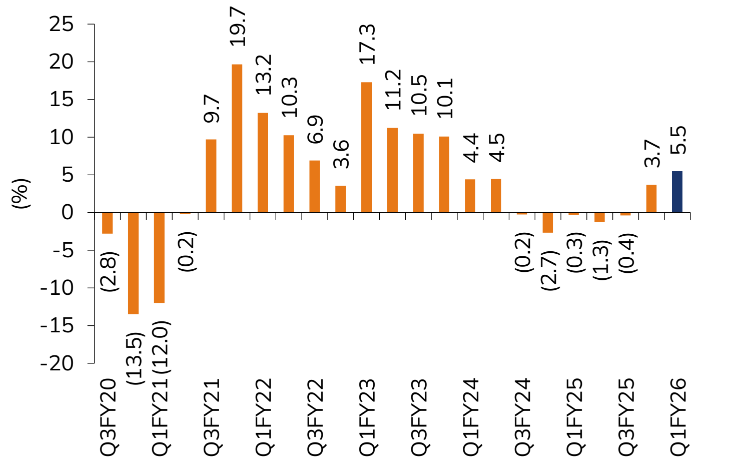
Source: Company data, I-Sec research

Exhibit 7: Revenue growth – Home Care



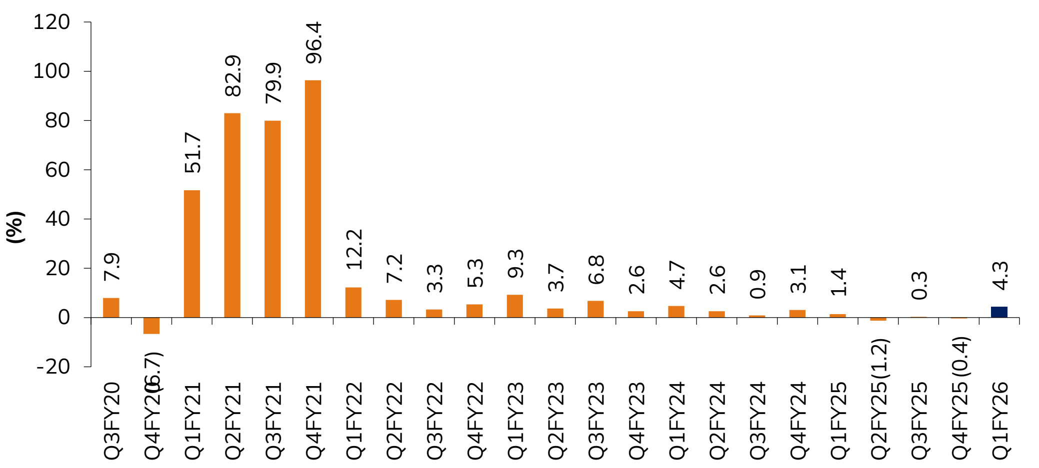
Source: Company data, I-Sec research

Exhibit 8: Revenue growth – Beauty & Personal Care



Source: Company data, I-Sec research

Exhibit 9: Revenue growth - Foods & Refreshments



Source: Company data, I-Sec research

Exhibit 10: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	61.9	61.9	61.9
Institutional investors	26.2	26.1	25.4
MFs and others	6.1	6.4	6.6
Banks, FI's, Insurance co	8.6	9.0	8.6
FIIs	11.5	10.7	10.2
Others	11.9	12.0	12.7

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**604,690**	**614,690**	**653,788**	**709,169**
Operating Expenses	462,790	471,800	506,026	542,331
EBITDA	**141,900**	**142,890**	**147,762**	**166,839**
EBITDA Margin (%)	23.5	23.2	22.6	23.5
Depreciation & Amortization	10,970	12,240	13,099	14,200
EBIT	130,930	130,650	134,663	152,639
Interest expenditure	3,020	3,640	3,872	4,202
Other Non-operating Income	9,730	11,770	11,479	11,271
Recurring PBT	**137,640**	**138,780**	**142,269**	**159,708**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	35,610	36,560	36,990	41,524
PAT	102,030	102,220	105,279	118,184
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(890)	4,220	-	-
Net Income (Reported)	**101,140**	**106,440**	**105,279**	**118,184**
Net Income (Adjusted)	**102,030**	**102,220**	**105,279**	**118,184**

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	202,960	208,990	196,307	211,938
of which cash & cash eqv.	117,260	109,070	99,620	107,172
Total Current Liabilities & Provisions	120,630	152,920	155,490	166,186
Net Current Assets	**82,330**	**56,070**	**40,816**	**45,753**
Investments	9,830	9,880	9,880	9,880
Net Fixed Assets	57,510	61,270	67,785	74,860
ROU Assets	14,270	15,830	15,830	15,830
Capital Work-in-Progress	9,150	9,560	9,560	9,560
Total Intangible Assets	452,010	451,970	451,970	451,970
Long Term Loans & Advances	25,030	25,630	27,265	29,586
Deferred Tax assets	-	-	-	-
Total Assets	**650,130**	**630,210**	**623,106**	**637,439**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**64,540**	**65,830**	**65,830**	**65,830**
Provisions	15,510	15,090	16,052	17,419
Other Liabilities	60,350	57,760	61,444	66,676
Equity Share Capital	2,350	2,350	2,350	2,350
Reserves & Surplus	507,380	489,180	477,429	485,163
Total Net Worth	**509,730**	**491,530**	**479,779**	**487,513**
Minority Interest	-	-	-	-
Total Liabilities	**650,130**	**630,210**	**623,106**	**637,439**

Source Company data, I-Sec research

Exhibit 14: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	1,55,080	1,54,080	1,52,140	1,59,310
% growth (YOY)	2	2	2	4
EBITDA	36,470	35,700	34,660	35,580
Margin %	23.5	23.2	22.8	22.3
Other Income	3,090	3,120	2,990	2,470
Extraordinaries	10	4,610	(40)	2,420
Adjusted Net Profit	26,110	25,400	24,970	24,900

Source Company data, I-Sec research

Exhibit 15: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**148,840**	**116,060**	**119,587**	**132,208**
Working Capital Changes	11,360	(5,540)	8,816	6,893
Capital Commitments	13,090	11,280	19,614	21,275
Free Cashflow	**135,750**	**104,780**	**99,974**	**110,933**
Other investing cashflow	**(36,620)**	**78,910**	**11,479**	**11,271**
Cashflow from Investing Activities	(49,710)	67,630	(8,135)	(10,004)
Issue of Share Capital	-	-	-	-
Interest Cost	(4,920)	(5,780)	(3,872)	(4,202)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(93,980)	(124,530)	(117,030)	(110,450)
Others	-	-	-	-
Cash flow from Financing Activities	(98,900)	(130,310)	(120,902)	(114,652)
Chg. in Cash & Bank balance	**230**	**53,380**	**(9,450)**	**7,552**
Closing cash & balance	6,090	59,470	50,020	57,572

Source Company data, I-Sec research

Exhibit 16: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	43.4	43.5	44.8	50.3
Adjusted EPS (Diluted)	43.4	43.5	44.8	50.3
Cash EPS	48.1	48.7	50.4	56.3
Dividend per share (DPS)	42.0	53.0	45.0	50.0
Book Value per share (BV)	216.9	209.2	204.2	207.5
Dividend Payout (%)	96.7	121.8	100.4	99.4
Growth (%)				
Net Sales	2.5	1.8	6.4	8.5
EBITDA	4.1	0.7	3.4	12.9
EPS (INR)	1.8	0.2	3.0	12.3
Valuation Ratios (x)				
P/E	59.2	59.1	57.4	51.1
P/CEPS	53.5	52.8	51.1	45.7
P/BV	11.9	12.3	12.6	12.4
EV / EBITDA	41.7	41.5	40.2	35.5
P / Sales	10.1	10.0	9.4	8.6
Dividend Yield (%)	1.6	2.1	1.7	1.9
Operating Ratios				
Gross Profit Margins (%)	51.5	50.9	50.3	50.6
EBITDA Margins (%)	23.5	23.2	22.6	23.5
Effective Tax Rate (%)	25.9	26.3	26.0	26.0
Net Profit Margins (%)	16.9	16.6	16.1	16.7
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(0.9)	(0.8)	(0.7)	(0.7)
Fixed Asset Turnover (x)	6.5	5.9	5.5	5.1
Working Capital Days	(21)	(32)	(34)	(33)
Inventory Turnover Days	24	25	26	26
Receivables Days	17	21	16	16
Payables Days	65	67	64	65
Profitability Ratios				
RoCE (%)	19.2	19.2	20.5	23.4
RoE (%)	20.2	20.4	21.7	24.4
RoIC (%)	24.2	25.5	26.8	30.5

Source Company data, I-Sec research

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