

Equity Research Report

Hindustan Unilever Ltd

Volume-led competitive growth



Hindustan Unilever (HUL) has a diversified portfolio of over 50 brands across 16 FMCG categories, including 19 brands with an annual turnover of more than ₹1,000 crore. The company operates over **28 owned factories in India** and works with more than 50 manufacturing partners, collectively producing over 75 billion units annually. Additionally, HUL manufactures over 250 SKUs through its nano-factories. It has a strong pan-India presence, reaching 9 out of every 10 Indian households, and serves over 9 million retail outlets through a robust network of **35 distribution hubs and 3,500+ distributors**.

In its Q2FY26 conference call, the management emphasized that the company is prioritizing growth. They stated that margins may not expand meaningfully for the next 2–3 quarters, as their focus remains on driving volume and market share through innovation, premiumization, and new product development.

Result Highlights (Q2FY26)

- HUL’s Q2 FY26 (July–Sept 2025) performance was somewhat weak mainly due to the GST rate cut transition and a prolonged monsoon season.
- Now, 40% of HUL’s portfolio falls under the 5% GST slab.
- The management has maintained its EBITDA margin guidance at 22–23%.
- The demerger of the ice cream business is expected to improve margins by an additional 50 basis points (0.5%).
- Home Care and Foods segments showed some growth, while Beauty & Wellbeing remained weak.
- Management expects low single-digit price hikes in H2 FY26, and a 7% revenue CAGR during FY25–28, driven by 5.5% volume CAGR.
- 80% of HUL’s revenue comes from categories where it is the market leader.
- Two-thirds of FMCG consumption comes from urban areas, but two-thirds of India’s population lives in rural regions. Hence, both markets are equally important for HUL.
- HUL’s ₹8,000 crore “Market Makers” portfolio (driven by new innovations) is boosting growth.
- The majority of HUL’s sales come from traditional kirana stores around **70%** from General Trade, **20%** from Modern Trade, **8%** from E-commerce (including quick commerce), and **2%** from other channels.

Stock Data (as on Oct 31, 2025)

Nifty	: 25,722.10
52 Weeks H/L (INR)	: 2,780/2,136
Market Cap (INR Crs.)	: 5,79,820
Outstanding Shares (Crs.)	: 235
Dividend Yield (%)	: 1.74
NSE Code	: HINDUNILVR

Stock Absolute Returns

1 Year	: -2.4%
3 Years	: -3.2%
5 Years	: 19.02%

Shareholding Pattern (as on Sep 30, 2025)

Promoters	: 61.90%
FIIs	: 10.79%
DII	: 15.62%
Government	: 0.07%
Public	: 11.62%

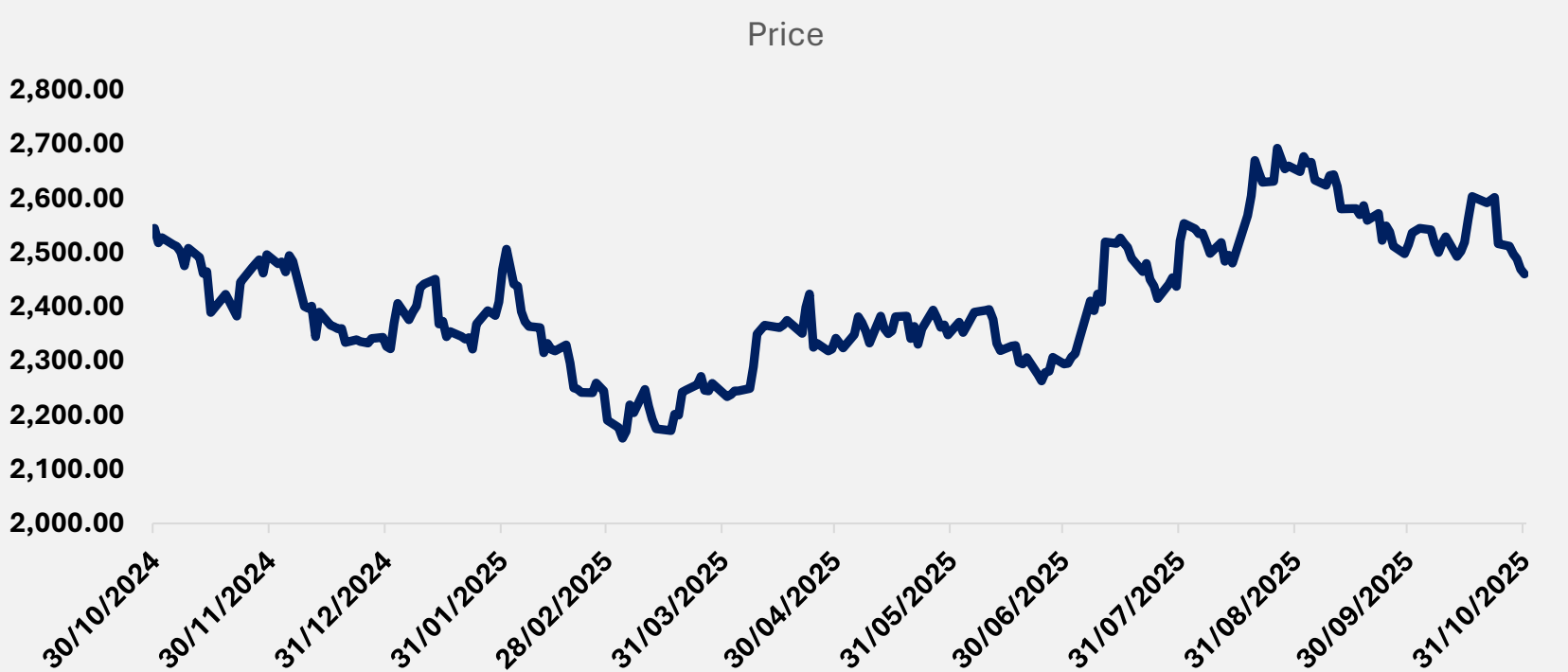
Compounded Sales Growth

10 Years:	:7%
5 Years:	:10%
3 Years:	:6%
TTM:	:2%

Return On Equity

10 Years:	:29%
5 Years:	:21%
3 Years:	:20%
Last Year:	:21%

Financial Summary (in Crs.)	FY24	FY25
Net Revenue	61896	63121
YoY Growth%	2.17%	1.98%
EBITDA	14,656.97	14,846.06
EBITDA Growth%	3.57%	1.29%
PAT	10,282	10,671
YoY Growth%	1.37%	3.78%
ROE%	20.10%	21.60%
EPS (In INR)	43.74%	45.32%
EV/EBITDA (X)	36%	36.16%



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Global FMCG

Fast-moving consumer goods (FMCG), also known as consumer-packaged goods, are products sold quickly and at relatively low prices. The FMCG market covers a variety of products that people use daily. This includes items like soap, toiletries, cosmetics, shaving products, toothpaste, detergents, as well as things like glassware, paper products, and more. The FMCG market was valued at USD 1,225.2 trillion in 2023 and is projected to grow from USD 1,308.3 trillion in 2024 to USD **1,730.5 trillion by 2032**, with a compound annual growth rate (CAGR) of 3.5% during the forecast period (2025–2032). The FMCG market was valued at **\$15,315.25 billion in 2023** and is projected to grow to **\$22,863.25 billion by 2032**.

The global FMCG market is poised for growth, driven by several factors:

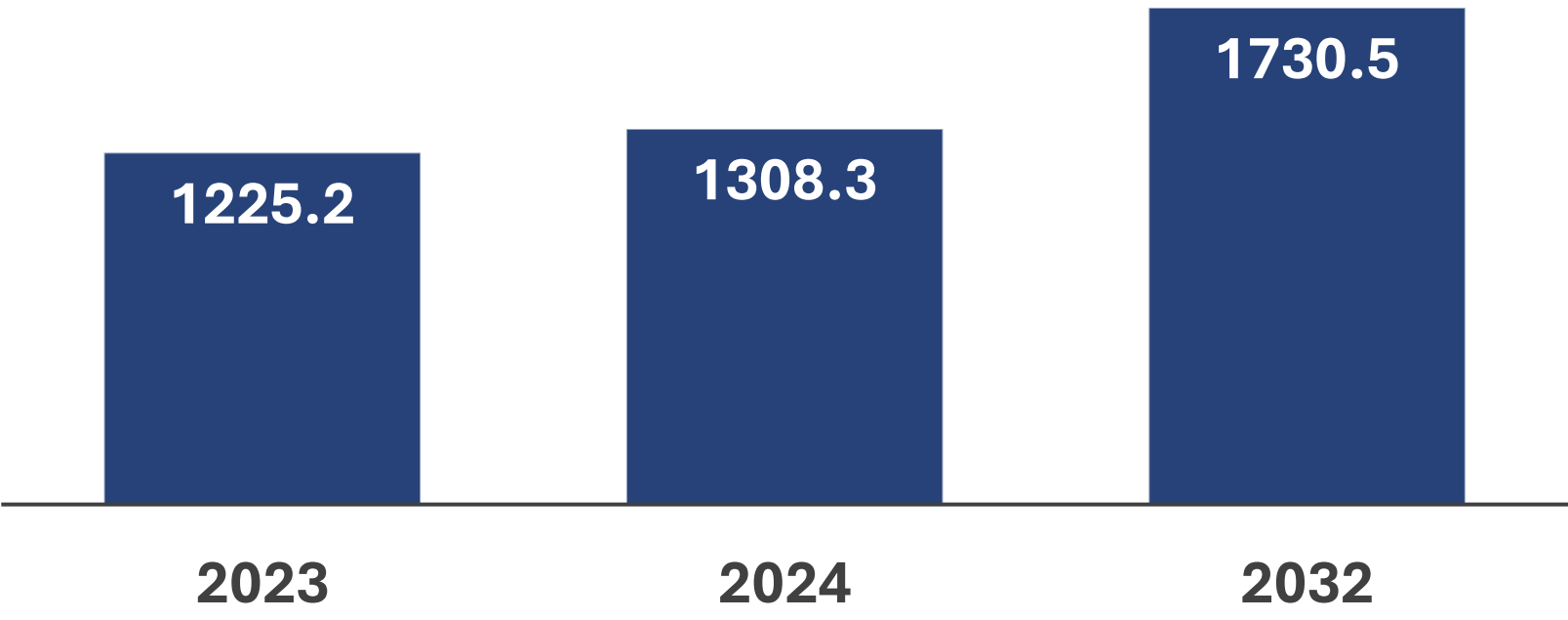
Growth Drivers

- Population Growth: Rising global population contributes to increased demand for FMCG products.
- Increasing Incomes: Higher disposable incomes drive consumption.
- Digitalization in Rural Markets: Technology penetration is expanding access to FMCG products in rural areas.

Growth Opportunities

- E-commerce: The rise of online shopping platforms is creating new sales channels.
- Digital Marketing: Innovations in digital marketing are enhancing consumer engagement and boosting sales.

Global FMCG (USD Trillion)



Source : Markert research

Indian FMCG

The Indian FMCG market was valued at \$167 billion in 2023 and is expected to grow to \$615.8 billion by 2027, registering a CAGR of 27.9%. The Indian food processing industry had a market size of \$307.2 billion in 2022 and is projected to grow to \$470 billion by 2028, with a CAGR of 9.5%.

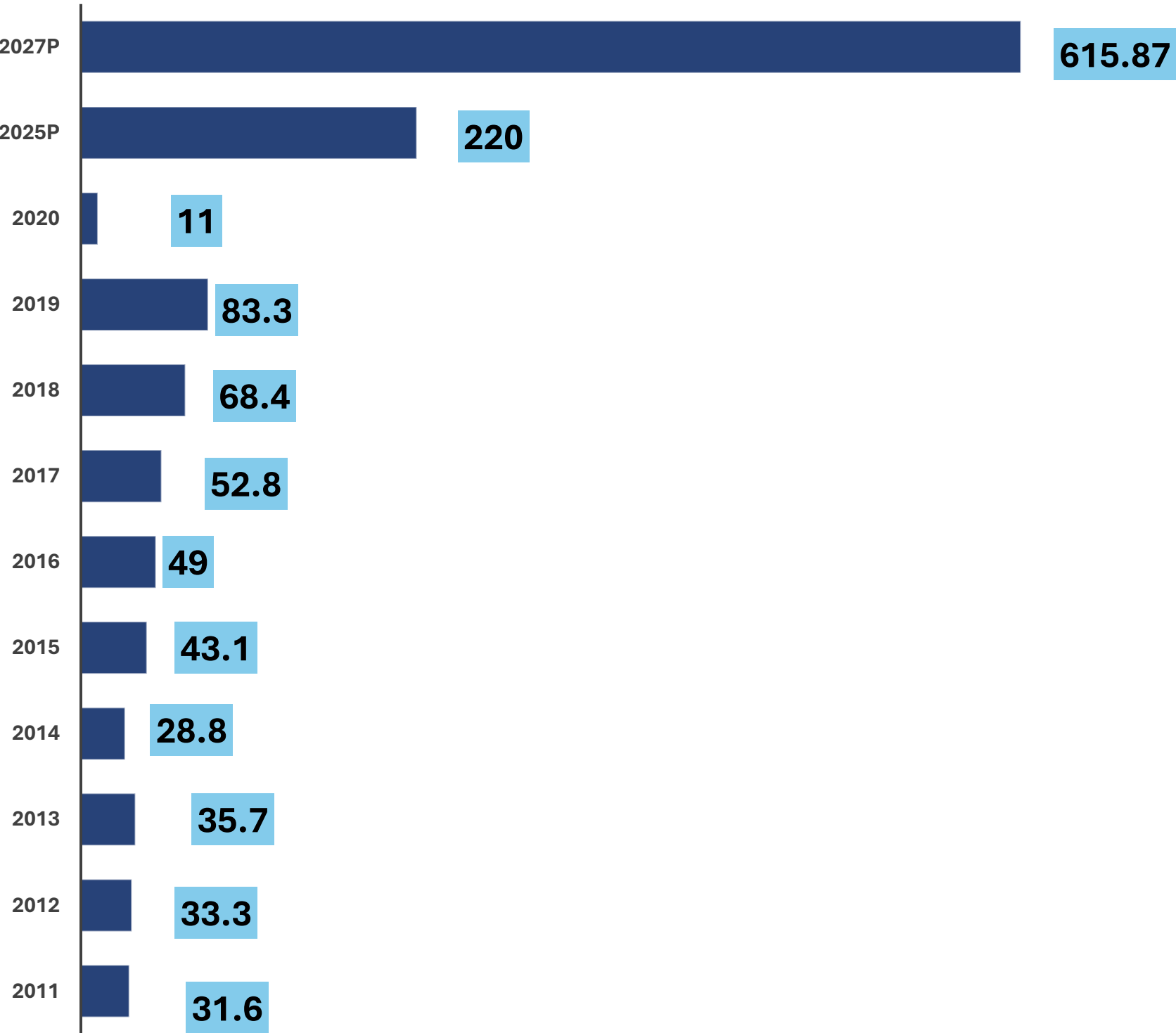
The food and beverage sector is an important part of India's FMCG market, contributing about 3% to the country's GDP. India has the world's largest cattle population, and it's third in egg production and eighth in meat production. The country is becoming a major player in the global meat industry. In 2022-23, India produced 138.038 billion eggs, with each person having about 101 eggs per year. Meat production increased to 9.77 million tonnes. The top five states producing meat in India are Uttar Pradesh, West Bengal, Maharashtra, Andhra Pradesh, and Telangana, contributing 57.9% of the country's total meat output. By 2032, global consumption of poultry, pork, beef, and sheep meat is expected to rise by 15%, 11%, 10%, and 15% respectively. Poultry will make up 41% of meat protein consumption, followed by pork, beef, and sheep.

India is the world's largest producer of milk. In 2022-23, India produced 230.5 million metric tonnes of milk, a 3.83% increase from the previous year. This shows the steady growth of the sector, which employs over 80 million farmers. The demand for dairy products like cheese, butter, and whey powder is increasing both in India and globally. The U.S. cheese market is expected to grow from 4.6 million metric tonnes in 2022 to 5.6 million metric tonnes by 2028.

India's dairy exports are growing. In 2022-23, India exported 67,572 metric tonnes of dairy products worth ₹2,269.85 crore (USD 284.6 million). With countries like China importing a lot of milk products, there is potential for more growth in the global dairy market.

Source : MOFPI,IBEF

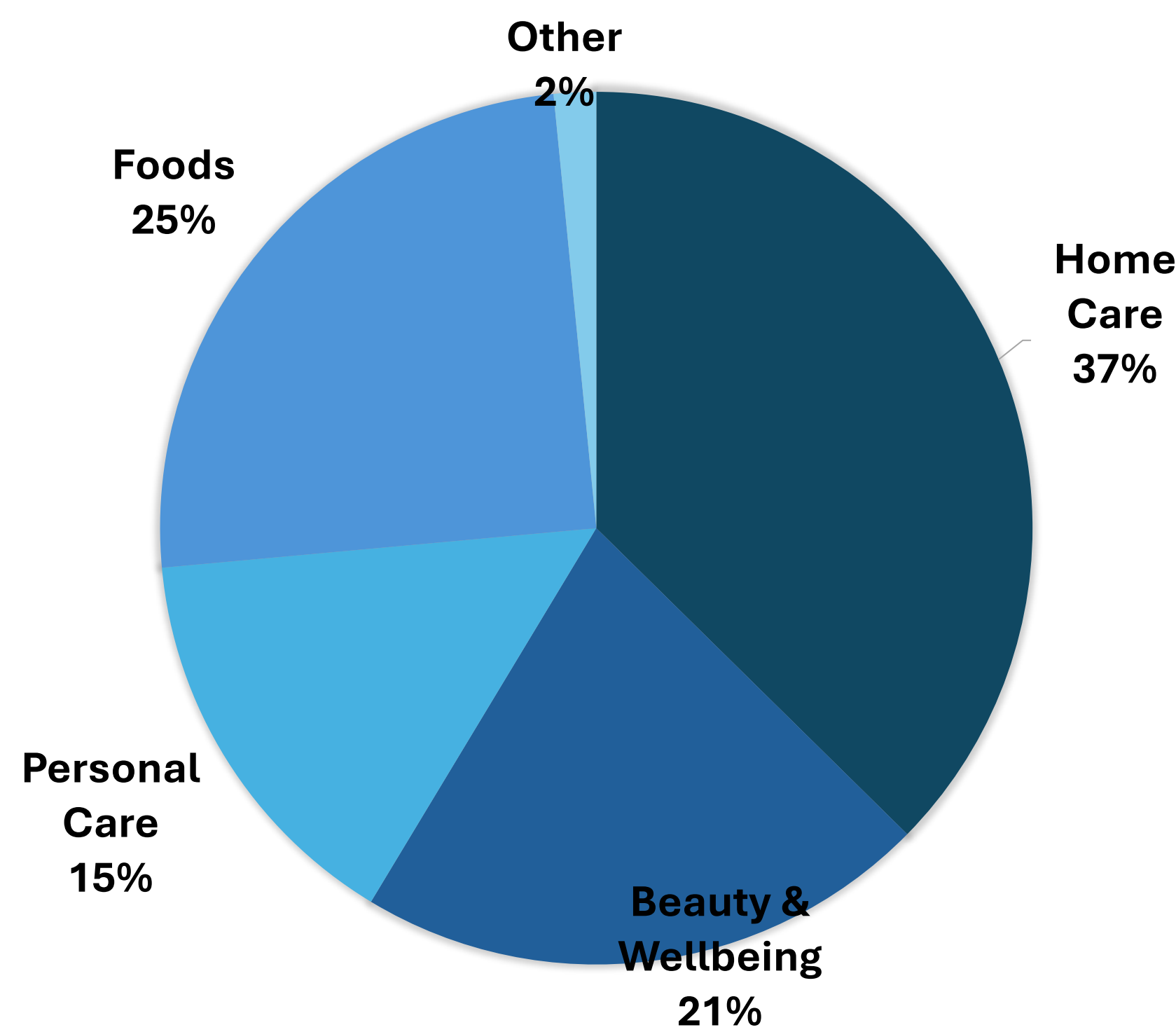
Indian FMCG (USD Billion)



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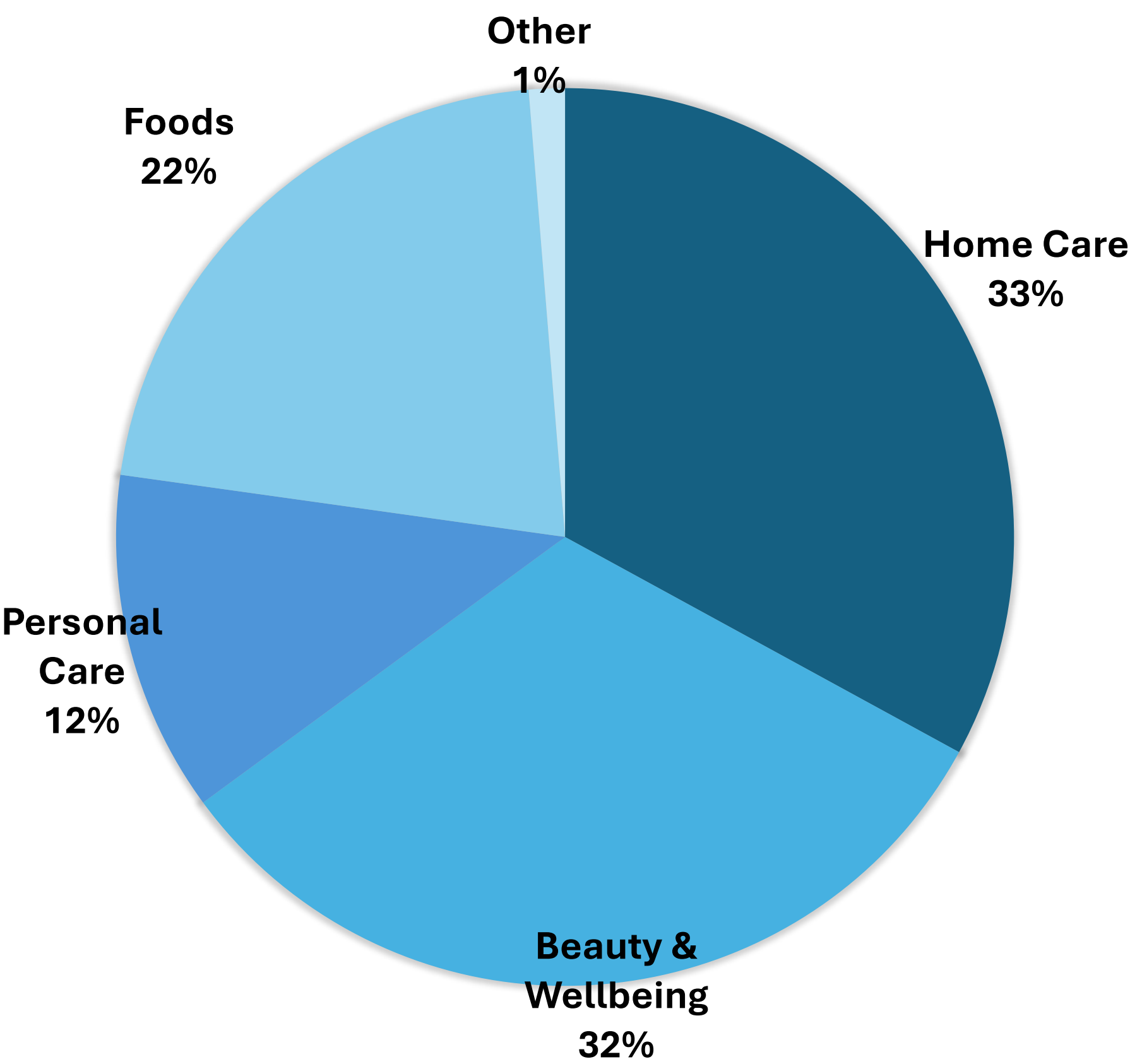
Segmental Revenue (INR Cr)



Particular	Revenue INR (Cr)
Home Care	22,972
Beauty & Wellbeing	13,073
Personal Care	9,168
Foods	15,294
Other	962

Segmental Results EBIT (INR Cr)

Particular	EBIT INR (Cr)
Home Care	4,306
Beauty & Wellbeing	4,176
Personal Care	1,606
Foods	2,808
Other	169



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Home Care Brands

Fabric Wash



Household Care



Beauty And Wellbeing Brands

Hair Care



Skin Care and Colour Cosmetics



Health and Wellbeing



Personal Care Brands

Skin Cleansing



Oral Care



Deodorant and Male Toiletries



Foods Brands

Beverages



Lifestyle Nutrition



Packaged Foods



Ice Cream



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Conference Call Highlights

HUL’s Q2 was weak due to the GST rate change and the monsoon, which slowed down demand. However, the management is confident that demand will recover in the second half. The company is preparing for long-term growth by focusing on premium products, digital channels, and operational efficiency.

Home Care

- Mid-single-digit volume growth (around 4–6%).
- In Fabric Wash (Surf Excel, Rin, etc.), liquid detergents showed double-digit growth.
- Fabric Conditioner (Comfort Perfume Deluxe) also recorded double-digit growth, showing strong performance in the premium product line.
- Household Care (Vim, Domex) saw double-digit volume growth too.
- However, overall underlying sales growth (USG) remained flat because the company had reduced prices earlier to stay competitive.

Beauty & Wellbeing

- 5% USG (sales growth) – driven by Skin Care (Vaseline, Lakme) and Health & Wellbeing (OZiva, etc.).
- Hair Care turnover declined slightly due to GST rate rationalization, but market share increased.
- Sunsilk was relaunched with new packaging and a modern design.
- Skin Care and cosmetics delivered high single-digit growth, with strong performance in the premium segment.
- The Health & Wellbeing segment grew triple digits, led by new products like OZiva Collagen Builder, which gained popularity.

Personal Care

- 90% of the portfolio went through a GST rate transition, causing a temporary volume impact.
- Turnover remained flat because the market was temporarily disrupted.
- Premium soaps (Dove, Pears, Lux International) showed strong growth and continued premiumisation.
- Lux International range launched with glutathione & Vitamin E (focused on skin brightening).
- The company maintained double-digit growth in the skin cleansing segment.

Foods & Refreshments

- 3% USG and low single-digit volume growth.
- Tea and Coffee recorded double-digit growth, especially strong performance in tea.
- Lifestyle Nutrition (Horlicks, etc.) saw a slight decline in turnover due to pricing adjustments.
- Launched Horlicks Pro Fitness — a meal replacement drink with 60% fewer calories.
- Packaged foods grew slowly due to GST impact, but mayonnaise and sausages achieved double-digit growth.
- Ice cream sales declined due to monsoon season and GST transition.
- The Ice-cream business will be demerged by Dec’25 and is expected to list separately by Q4 FY26.

Channel & Execution (Distribution and Sales Network)

- In Sept–Oct’25, dealers de-stocked (sold old inventory) before the GST rate change.
- Modern trade (Big Bazaar, Reliance Smart) and e-commerce channels are expected to normalize restocking soon.
- HUL’s distribution network reaches 9 million stores, covering 95% of India’s FMCG market.
- Focus areas: Direct-to-Consumer (D2C), Quick Commerce (Blinkit, Zepto), and specialist stores (chemists, cosmetic shops).

Company’s Focus Areas

- Volume-led growth → driving expansion mainly through quantity, not just price hikes.
- Consumer segmentation → strategy tailored for three groups: Power Spenders, Premiumisers, and Democratisers.
- Brand Modernisation → refreshing legacy brands with new looks and innovations.
- Digital & Quick Commerce growth → focus on online and fast-delivery platforms.
- Portfolio reshaping → investing more in high-potential categories like health, beauty, and premium products.

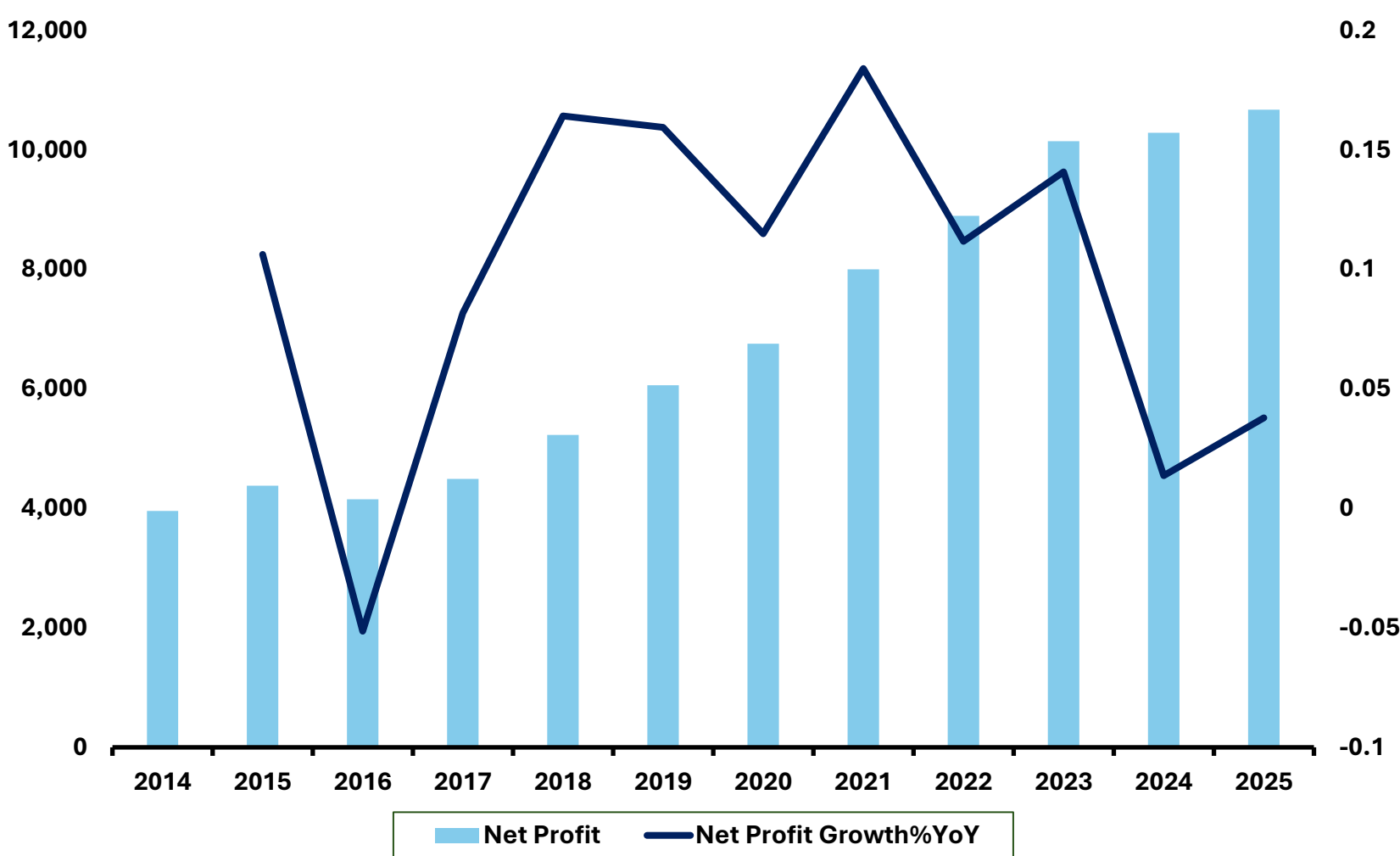
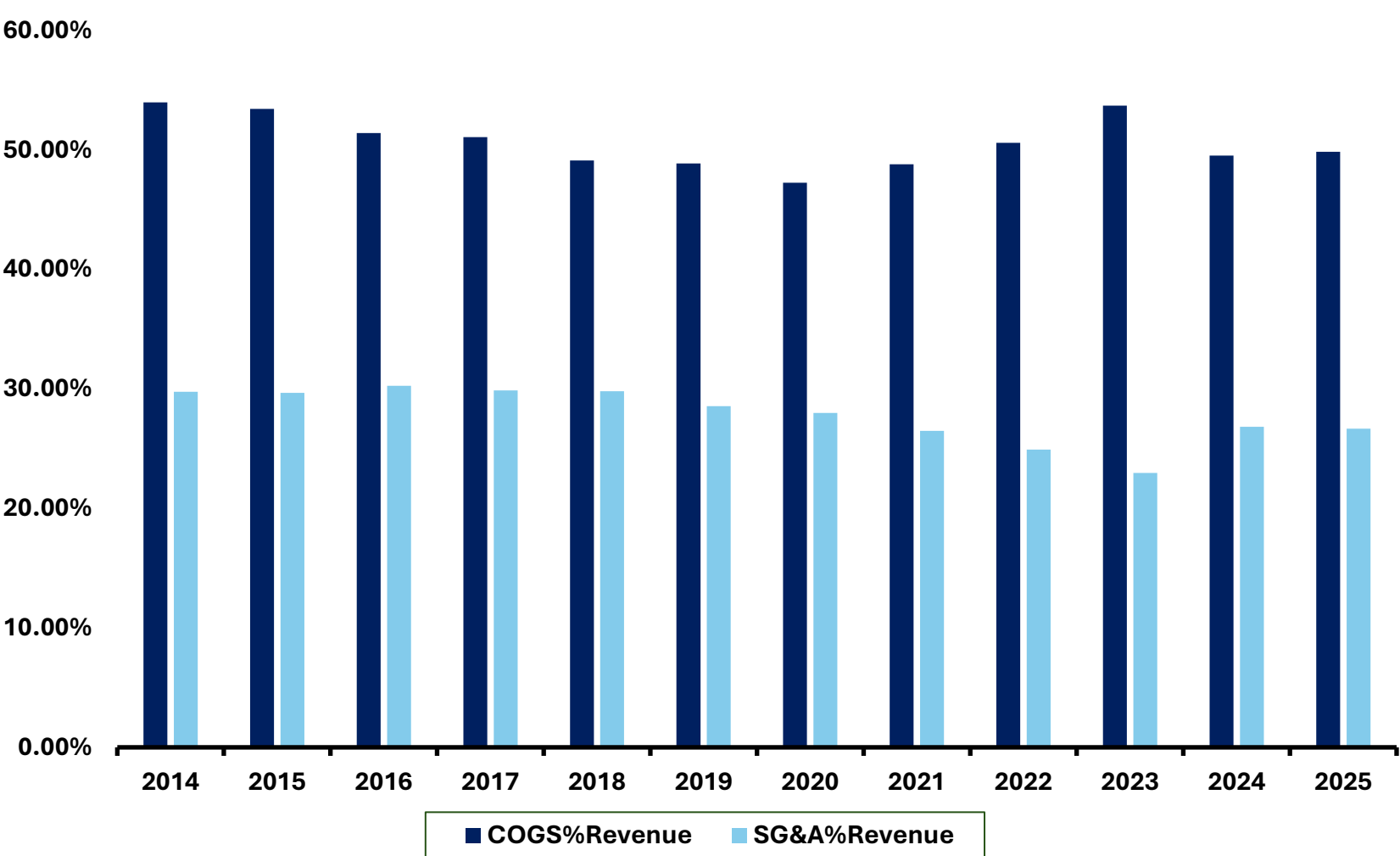
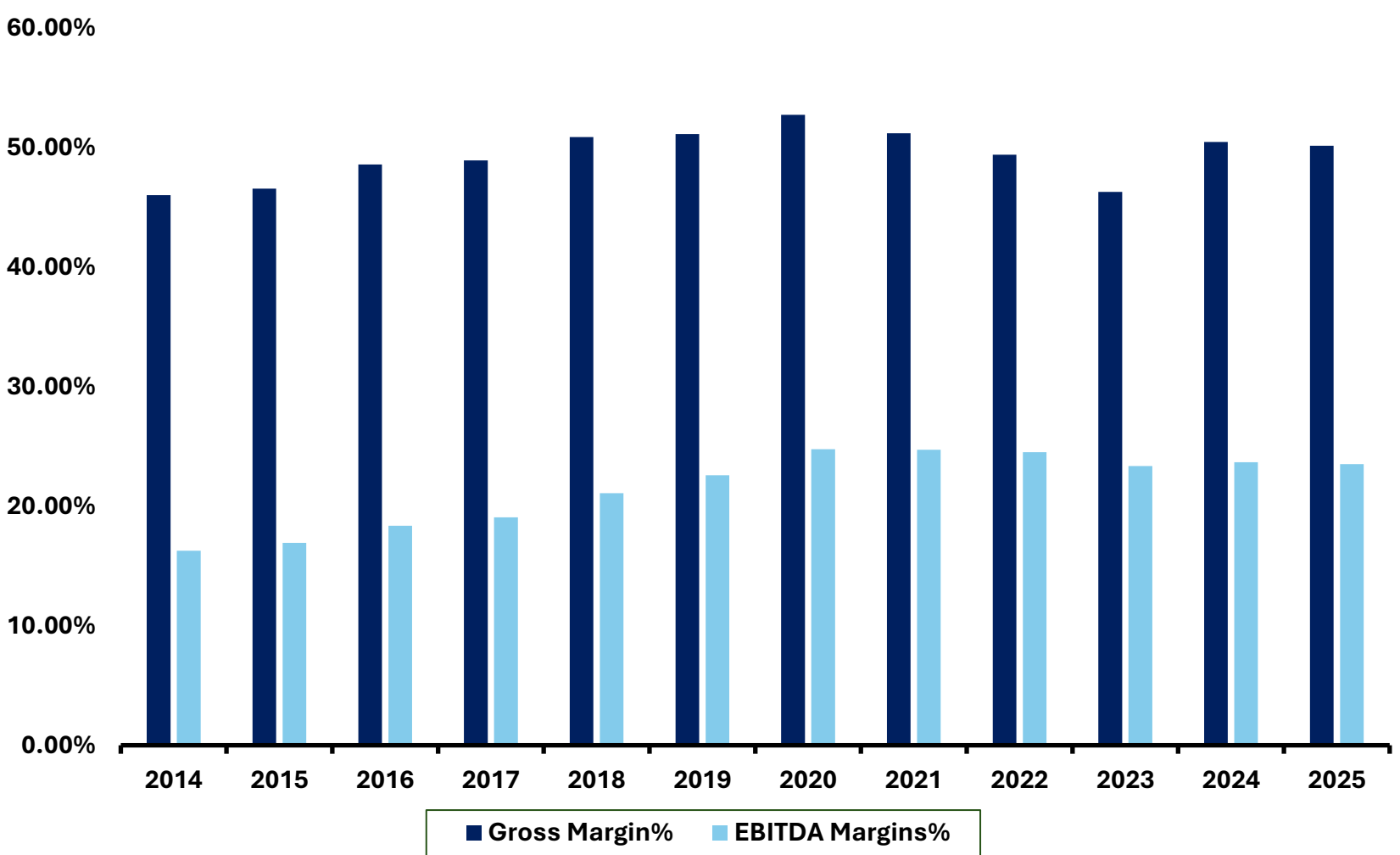
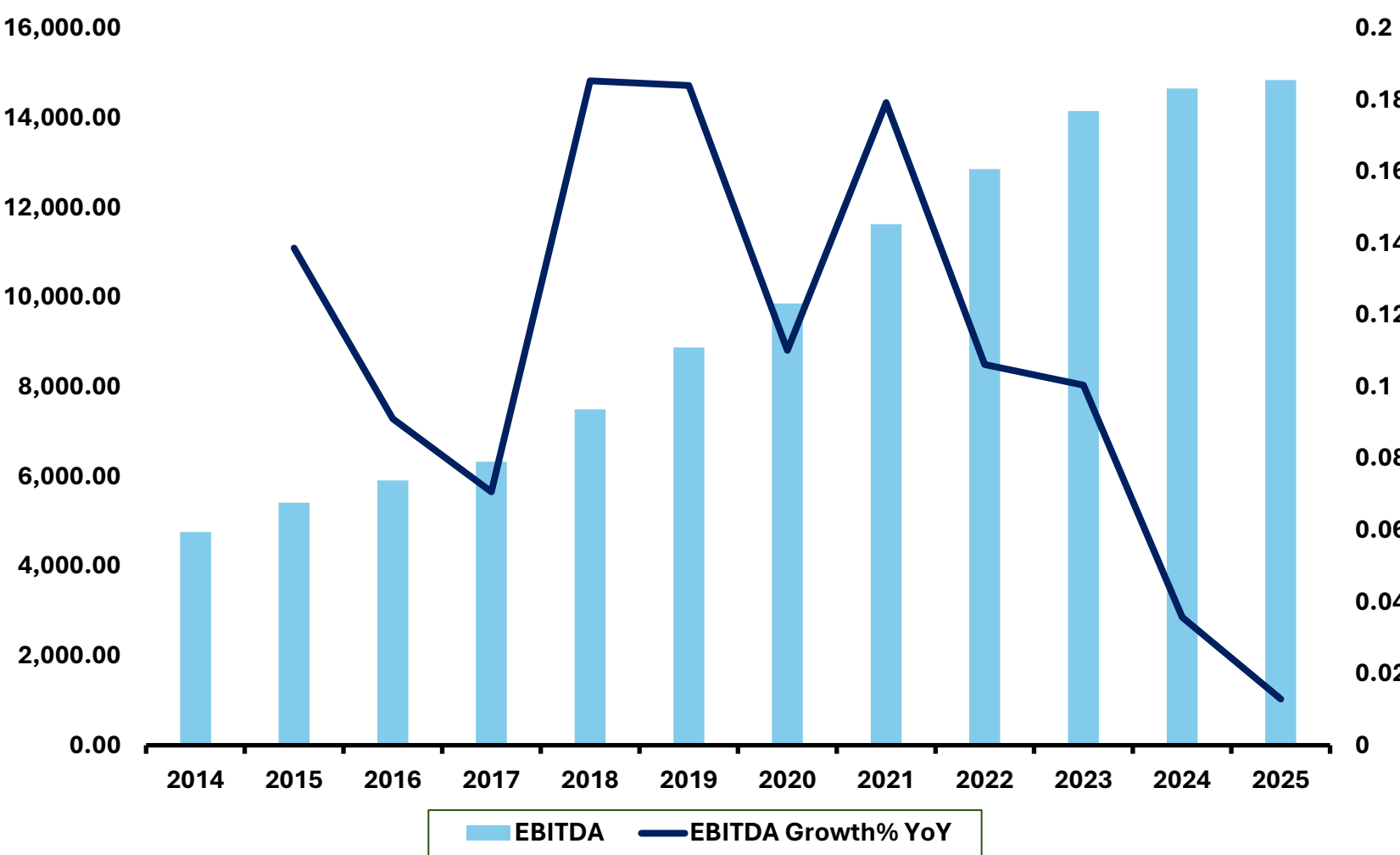
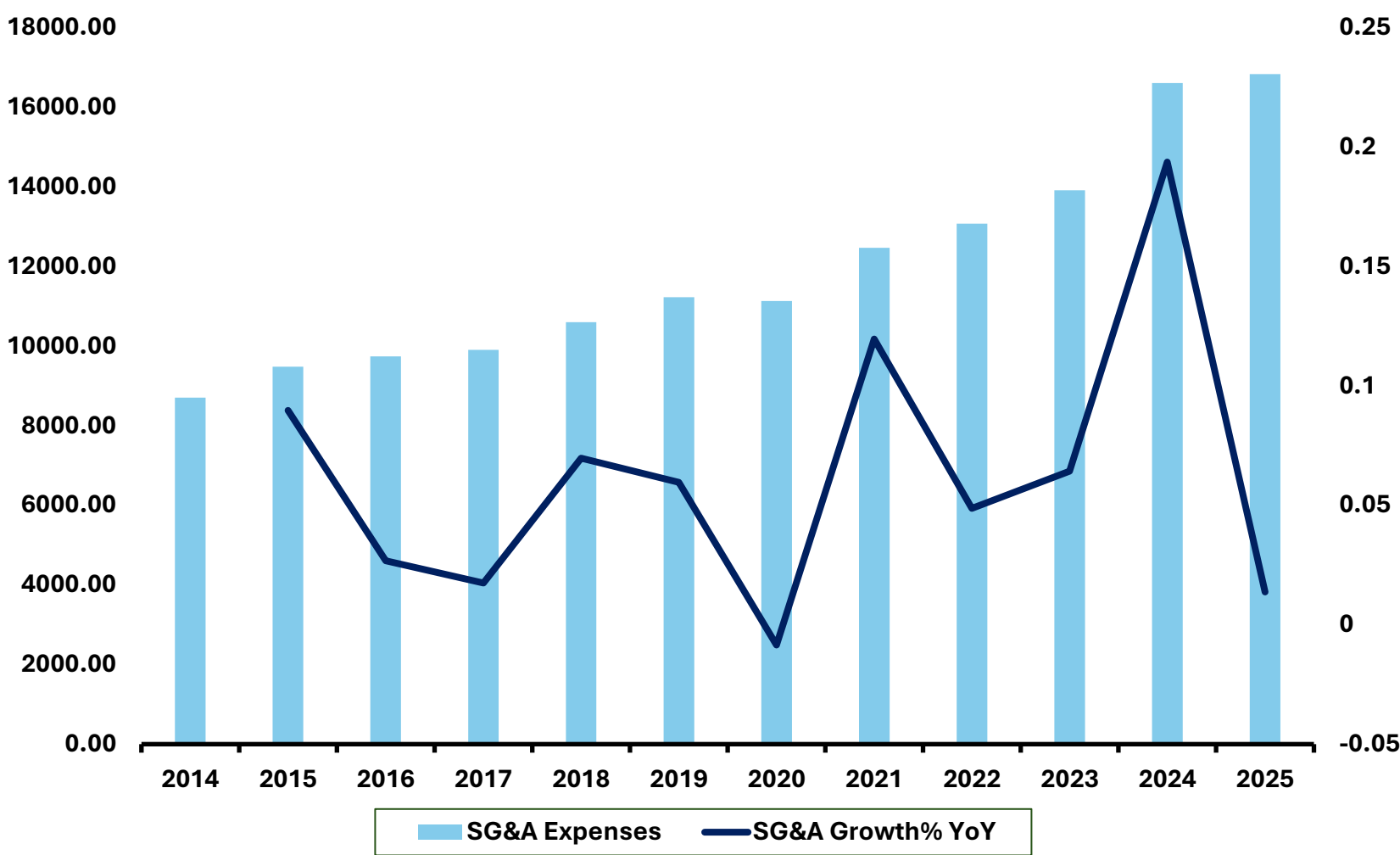
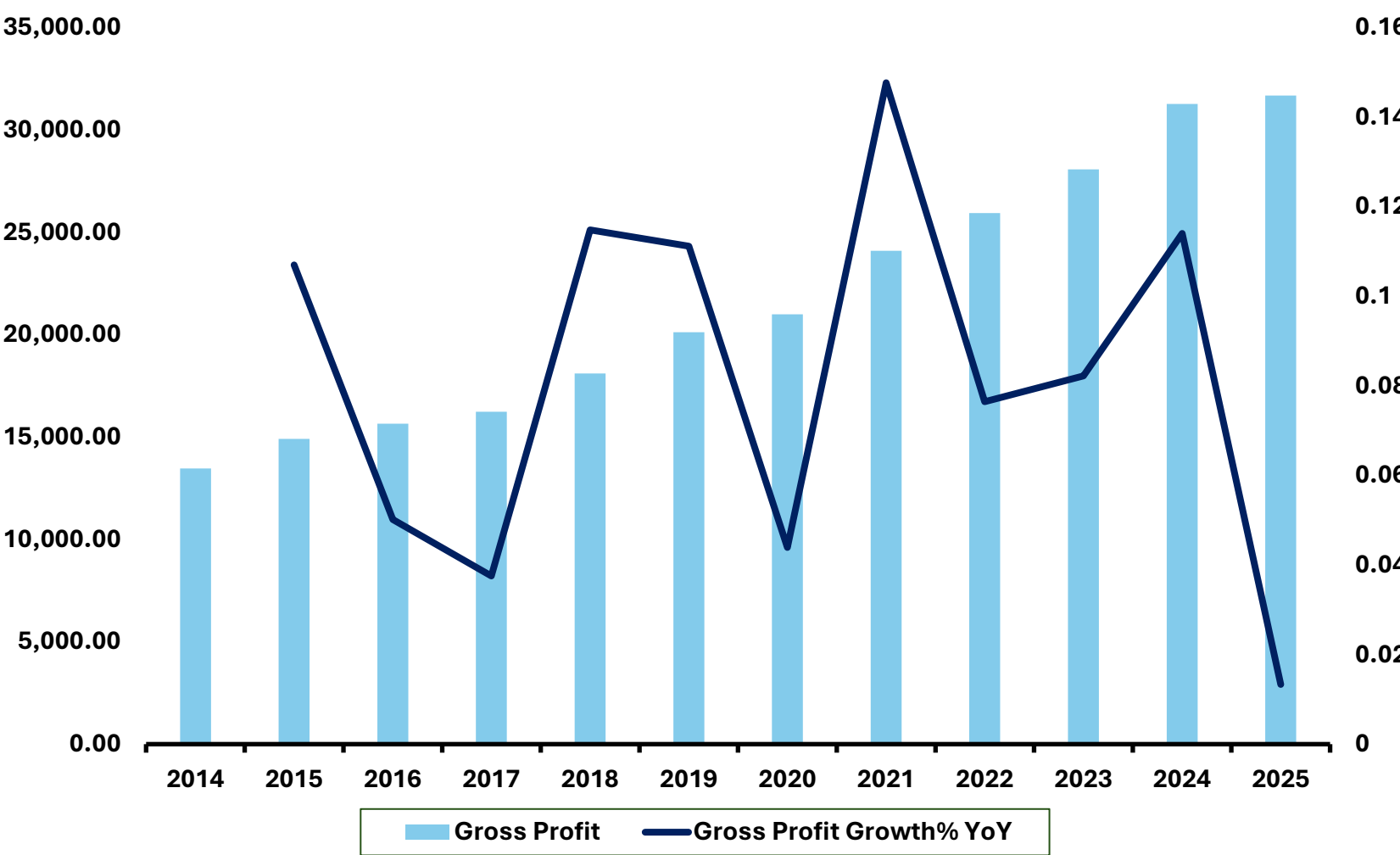
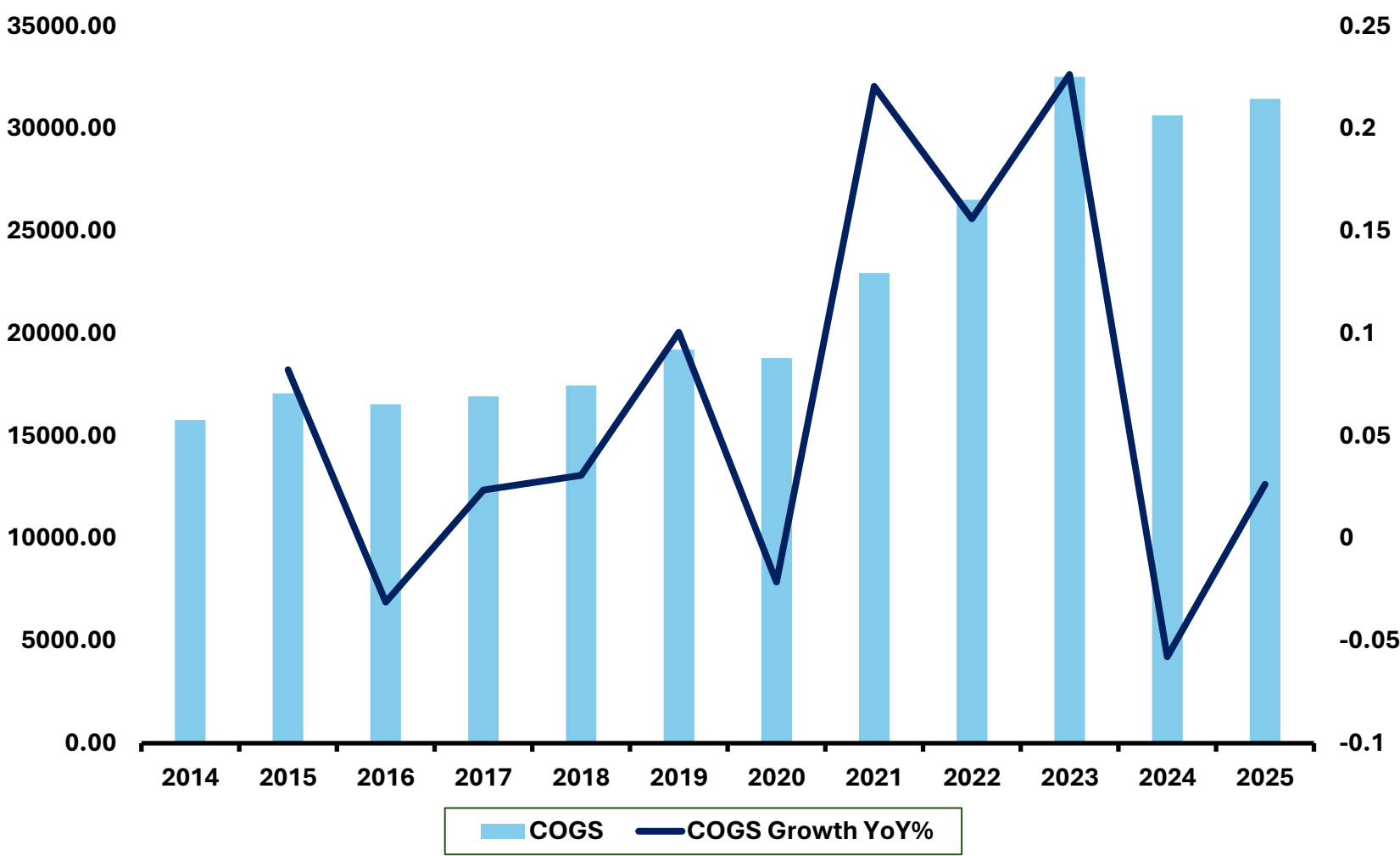
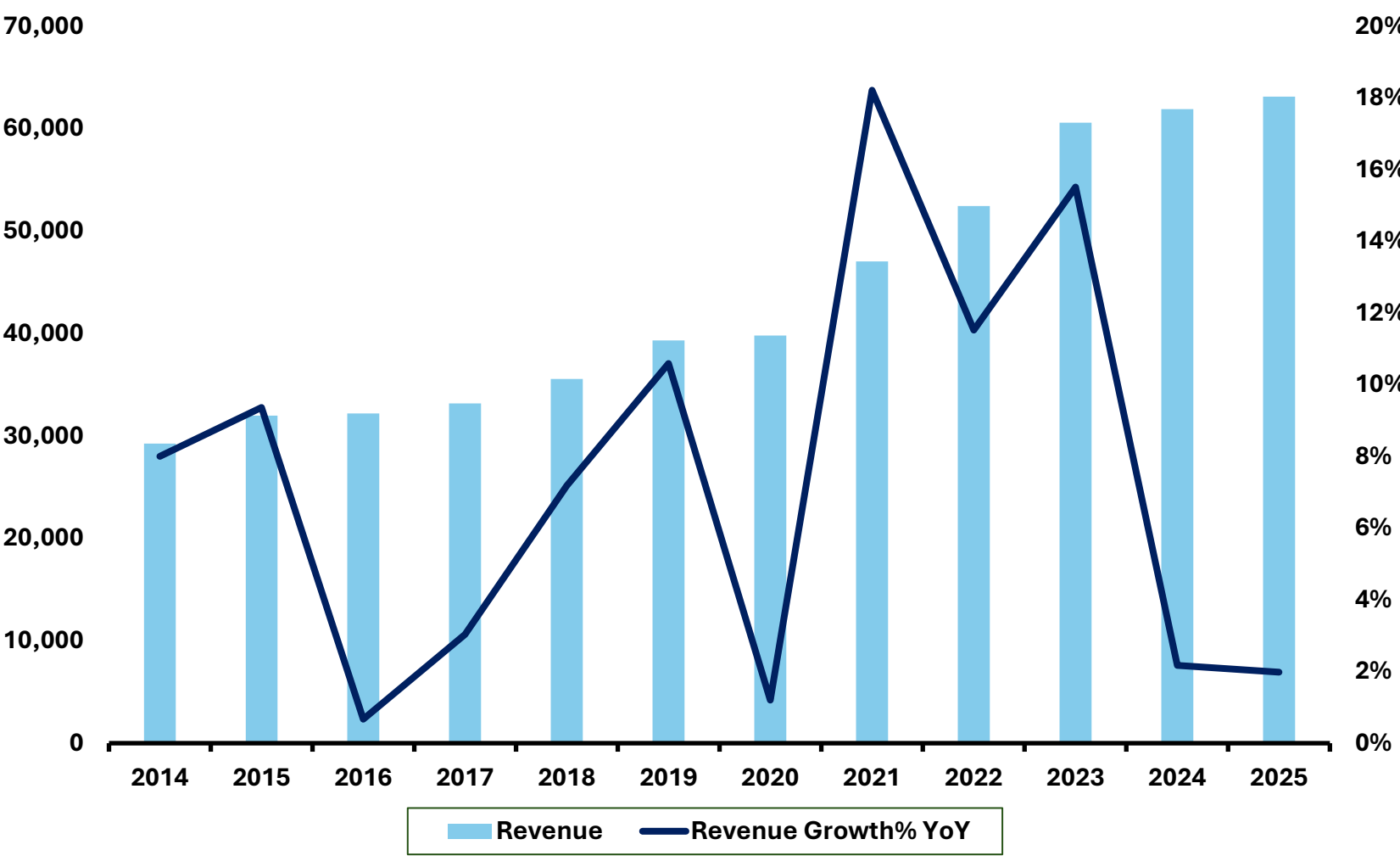
Management guidance:

- Short- to mid-term margins expected to stay between 22–23%.
- Ice-cream demerger expected to add 50–60 bps to margins.

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FINANCIAL ANALYSIS

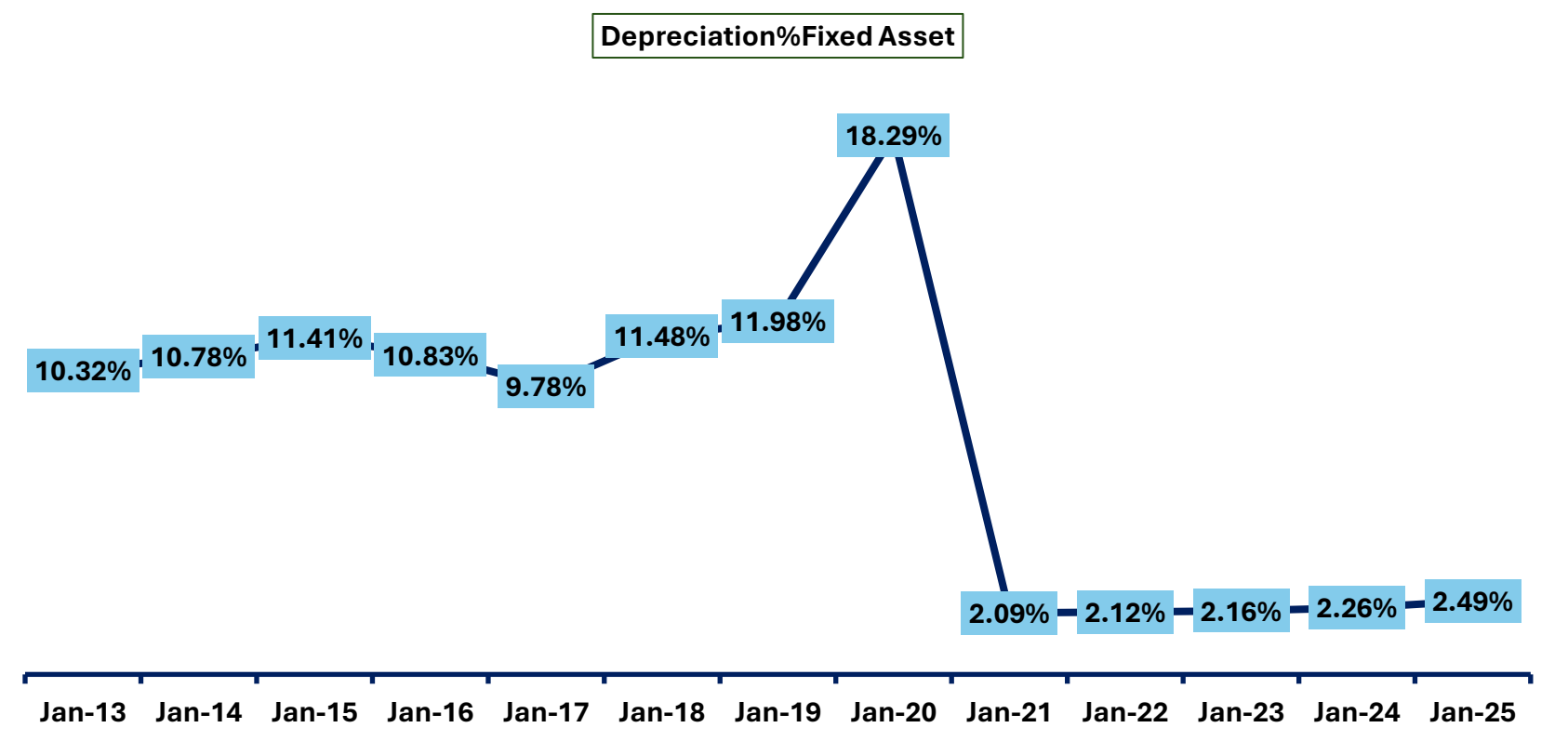
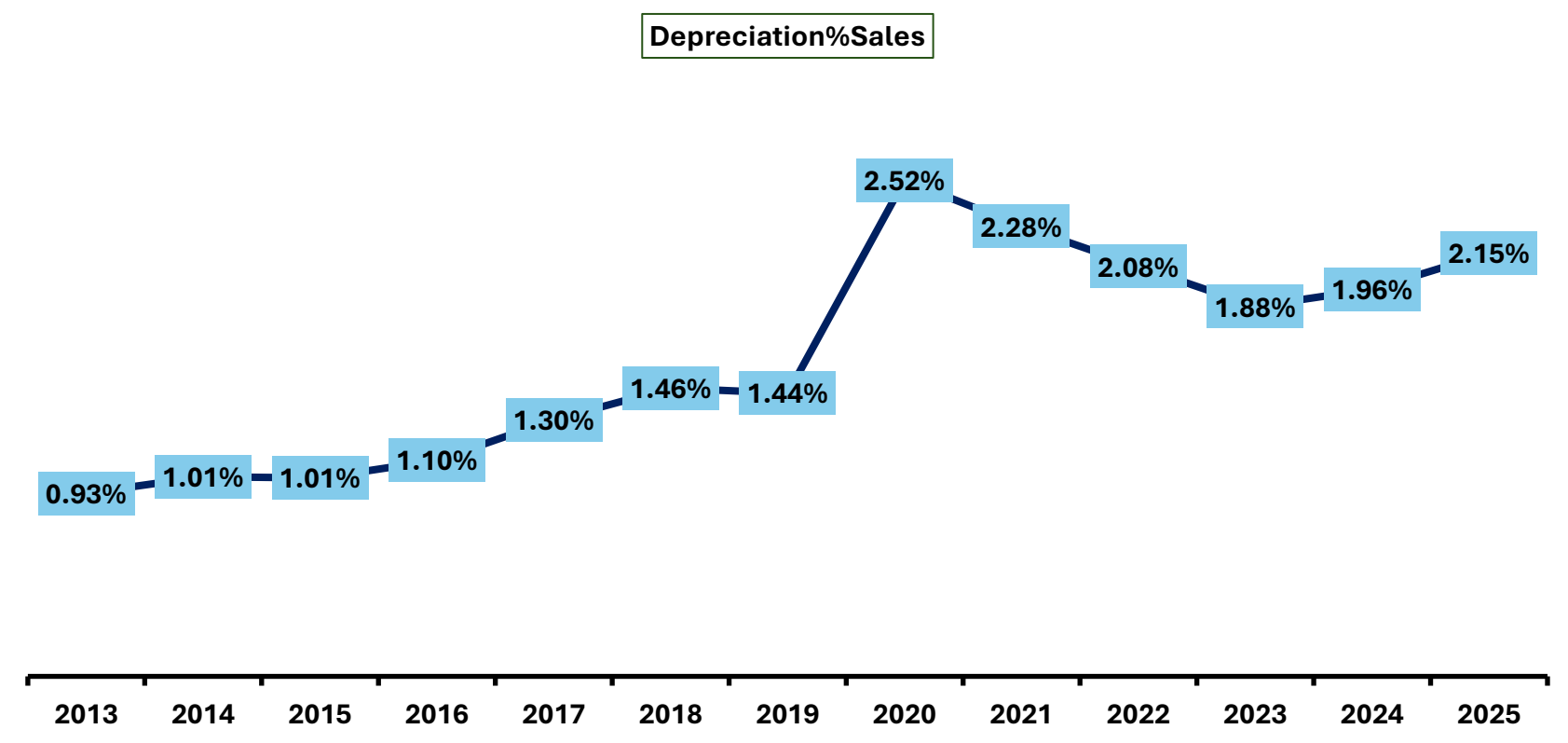
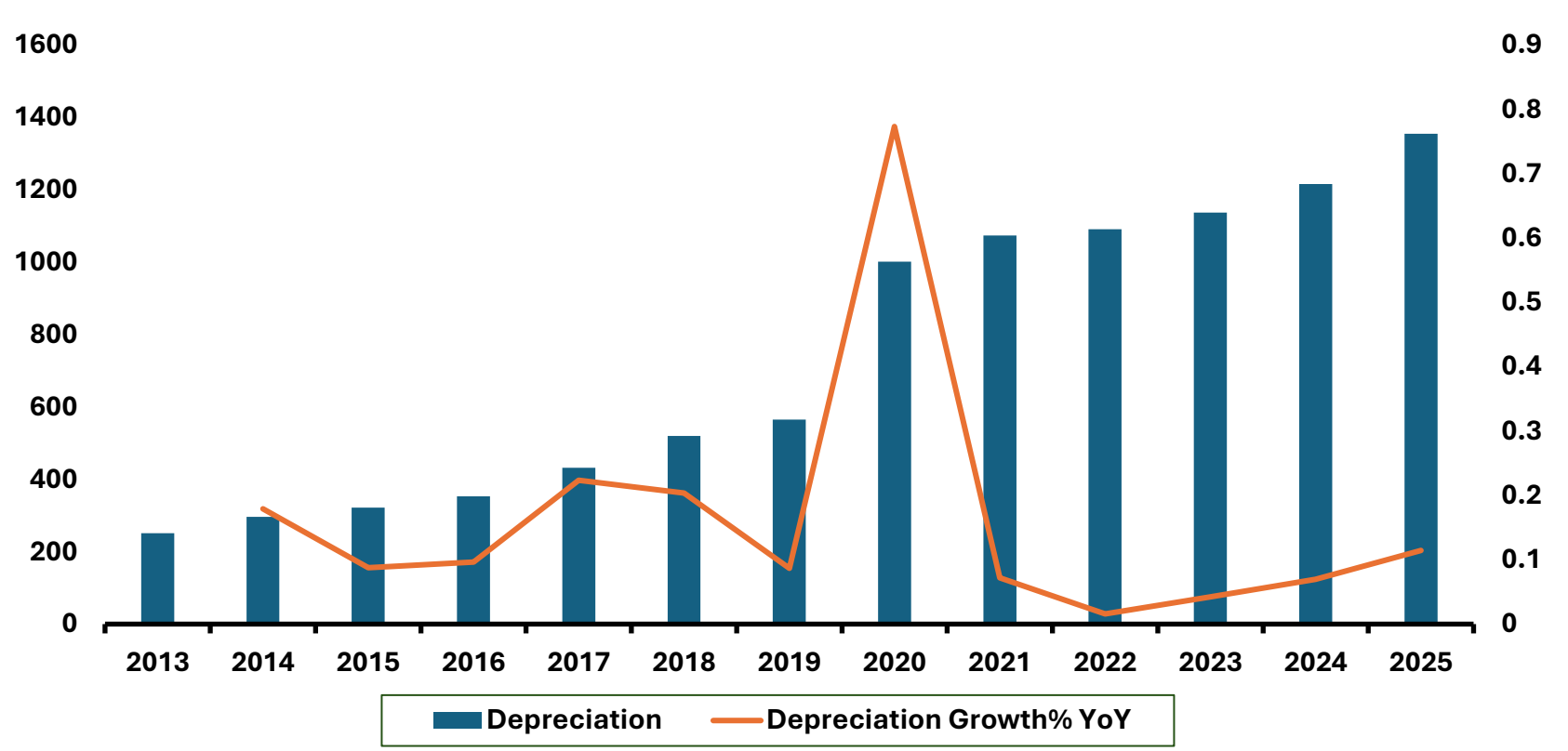
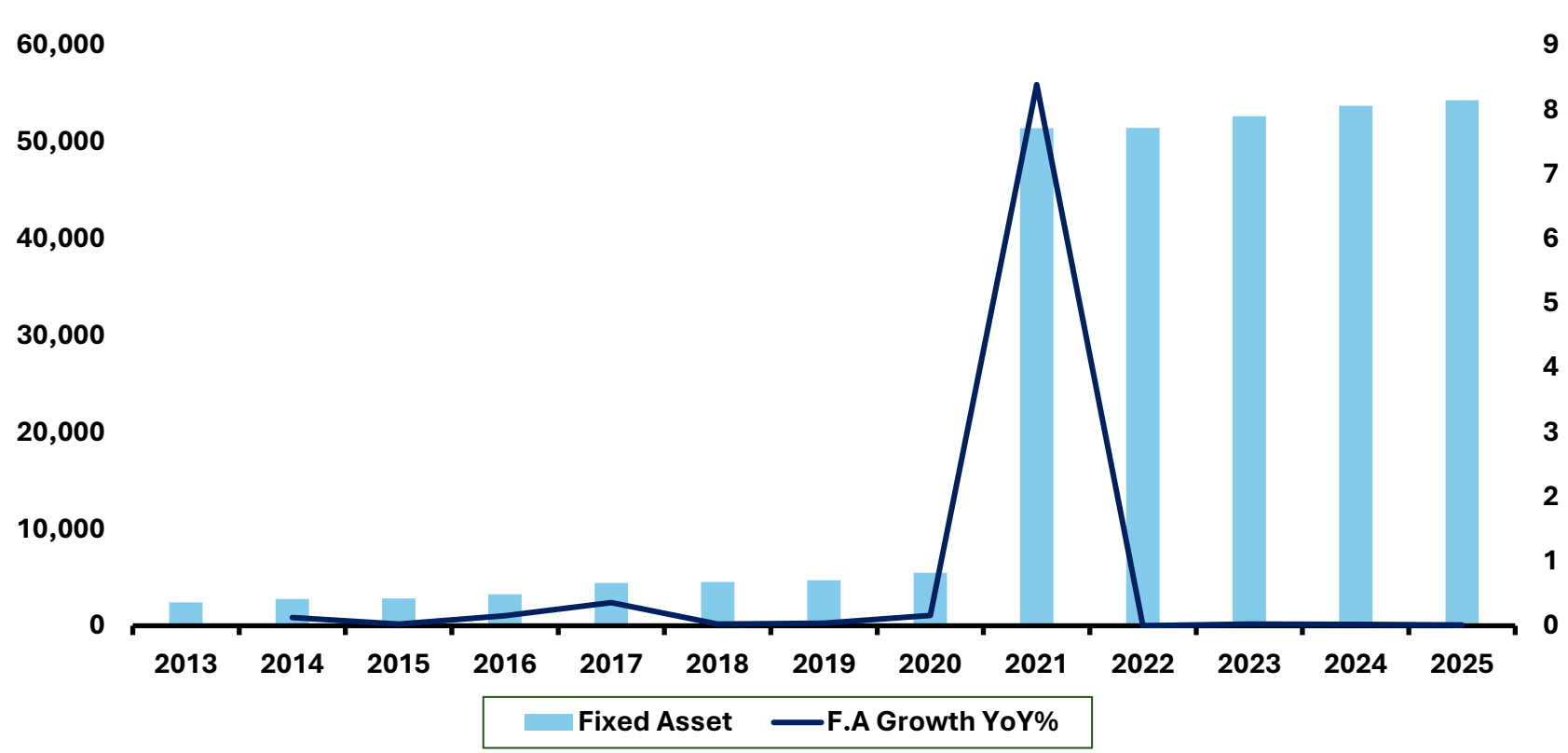


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DEPRECIATION ANALYSIS

Particular	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Revenue	27,004	29,234	31,972	32,186	33,162	35,545	39,310	39,783	47,028	52,446	60,580	61,896	63,121
Revenue Growth YoY%		8.26%	9.37%	0.67%	3.03%	7.19%	10.59%	1.20%	18.21%	11.52%	15.51%	2.17%	1.98%
Fixed Asset	2,431	2,746	2,821	3,258	4,419	4,528	4,715	5,479	51,443	51,473	52,678	53,744	54,335
F.A Growth YoY%		12.96%	2.73%	15.49%	35.64%	2.47%	4.13%	16.20%	838.91%	0.06%	2.34%	2.02%	1.10%
Depreciation	251	296	322	353	432	520	565	1,002	1,074	1,091	1,137	1,216	1,355
Depreciation Growth% YoY		17.93%	8.78%	9.63%	22.38%	20.37%	8.65%	77.35%	7.19%	1.58%	4.22%	6.95%	11.43%
Depreciation%Sales	0.93%	1.01%	1.01%	1.10%	1.30%	1.46%	1.44%	2.52%	2.28%	2.08%	1.88%	1.96%	2.15%
Depreciation%Fixed Asset	10.32%	10.78%	11.41%	10.83%	9.78%	11.48%	11.98%	18.29%	2.09%	2.12%	2.16%	2.26%	2.49%



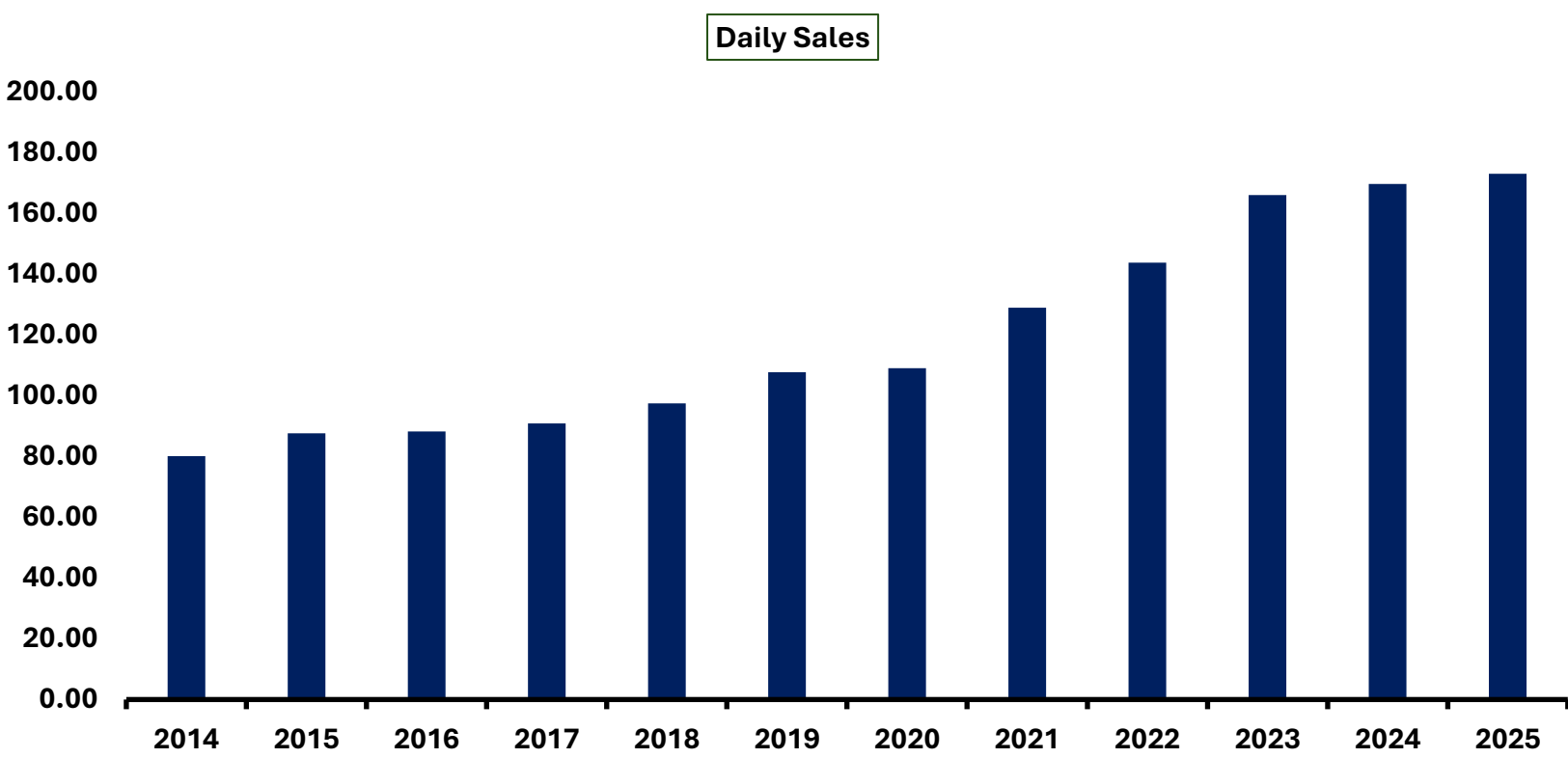
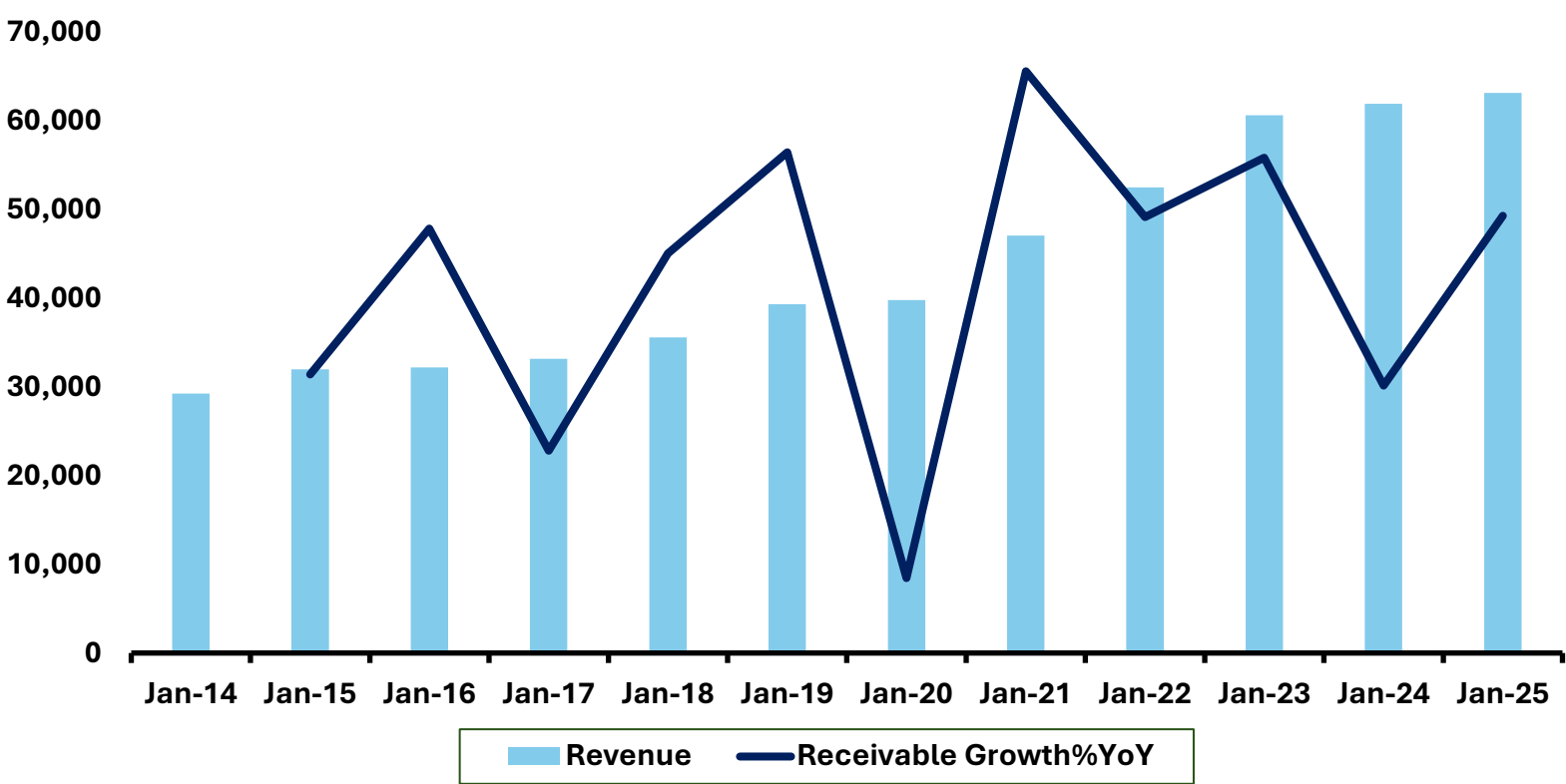
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TRADE RECEIVABLE ANALYSIS

INR CRORE

Particular	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Revenue	29,234	31,972	32,186	33,162	35,545	39,310	39,783	47,028	52,446	60,580	61,896	63,121
Revenue Growth% YoY	8%	9.37%	0.67%	3.03%	7.19%	10.59%	1.20%	18.21%	11.52%	15.51%	2.17%	1.98%
Trade receivables	1,017	1,010	1,264	1,085	1,310	1,816	1,149	1,758	2,236	3,079	2,997	3,819
Receivable Growth%YoY		-0.69%	25.15%	-14.16%	20.74%	38.63%	-36.73%	53.00%	27.19%	37.70%	-2.66%	27.43%
Receivable%Revenue	3.48%	3.16%	3.93%	3.27%	3.69%	4.62%	2.89%	3.74%	4.26%	5.08%	4.84%	6.05%
Receivable Days	13	12	14	12	13	17	11	14	16	19	18	22
365												
Receivable Turnover Ratio	29x	32x	25x	31x	27x	22x	35x	27x	23x	20x	21x	17x
Average Receivable		1,014	1,137	1,175	1,198	1,563	1,483	1,454	1,997	2,658	3,038	3,408
Average Receivable%Revenue		3.17%	3.53%	3.54%	3.37%	3.98%	3.73%	3.09%	3.81%	4.39%	4.91%	5.40%
Revenue Days	365	365	365	365	365	365	365	365	365	365	365	365
Average Receivable Days		12	13	13	12	15	14	11	14	16	18	20
Daily Sales	80.09	87.59	88.18	90.85	97.38	107.70	108.99	128.84	143.69	165.97	169.58	172.93



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