



India

ADD (previously HOLD)

Consensus ratings*: Buy 27 Hold 12 Sell 4

Current price:	Rs2,521
Target price:	Rs2,800
Previous target:	Rs2,525
Up/downside:	11.1%
InCred Research / Consensus:	8.2%
Reuters:	HLL.NS
Bloomberg:	HUVR IN
Market cap:	US\$67,623m
	Rs5,923,790m
Average daily turnover:	US\$51.5m
	Rs4508.3m
Current shares o/s:	2,350.0m
Free float:	38.1%

*Source: Bloomberg

Key changes in this note

- Upgrade our rating to ADD with a higher target price of Rs2,800.
- Introduce FY28F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.8	7.6	(6.8)
Relative (%)	13.2	6.4	(6.0)

Major shareholders	% held
Unilever PLC	61.9
LIC	6.0
SBI MF	1.7

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Hindustan Unilever Ltd

Growth revival in sight; upgrade to ADD

- HUL posted 4%/4% sales/UVG growth in 1QFY26 led by 7%/6%/4%/5% yoy sales growth in beauty & wellbeing/personal care/home care/food segments.
- Gross margin/EBITDA margin contracted by 220bp/120bp yoy to 49.2%/22.3%. The EBITDA margin guidance remains unchanged at 22-23%.
- Improving outlook on urban demand and the focus on reviving volume growth drive an upgrade in our rating to ADD (from HOLD) with a higher Rs2,800 TP.

Volume growth improves to 4%; expected to improve sequentially

Hindustan Unilever (HUL) posted a 4% underlying volume growth (UVG) in 1QFY26 (vs. 2%/4% in 4QFY25/1QFY25, respectively), with sales growth at 3.9%. The home care range grew by 4% yoy, with a high single-digit UVG led by mid-single digit/double-digit UVG in fabric wash/household care segments steered by liquid variants. The beauty & wellbeing segment posted a 7% sales growth, with low single-digit growth in UVG. The hair care segment posted mid-single digit growth on a high base while the skin care range witnessed a low single-digit growth. The personal care segment saw 6% sales growth, with a low single-digit decline in UVG. The skin cleansing range posted mid-single digit growth led by the non-hygiene segment while premium bars posted volume-led double-digit growth. The body wash range continued to deliver double-digit growth. Oral care posted mid-single digit, price-led growth led by the Closeup range. The food segment posted 5% sales growth, with a mid-single digit UVG led by double-digit growth in beverages, tea business growing in high single digits and coffee maintaining its double-digit trajectory. The nutrition range saw a QoQ improvement. The ice-cream range posted high single-digit volume-led growth but was impacted by the early onset of monsoons this year.

Recovery in laggards and focus on volume led growth to augur well

HUL's home care segment volume growth improved to high single digits (with a high focus on driving liquids, especially in South India) and a 7% growth in beauty & wellbeing, led by a sequential improvement in the Glow and Lovely range, where the strategy will be to drive growth led by range/format extensions. The Minimalist brand has performed well and has been extended from skin care into bodywash and hair care, which should aid growth at the premium-end of the portfolio. Management gave guidance of a sequential improvement in gross margin and maintained a 22-23% EBITDA margin range for the near term.

Upgrade our rating to ADD (from HOLD) with a TP of Rs2,800

HUL's focus on maintaining its competitive price-value equation, and expansion into newer fast-growing demand spaces should aid in driving a gradual improvement from here on. The shift in the portfolio mix by c.500bp from core categories to more premium/faster growing demand spaces led by portfolio transformation initiatives, should support growth in the medium term. We upgrade our rating on HUL to ADD (from HOLD) with a higher target price of Rs2,800 (52x Sep 2027F EPS) from Rs2,525 earlier. Downside risk: Slower-than expected recovery in sales/volume growth.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	604,690	614,690	657,526	715,249	780,232
Operating EBITDA (Rsm)	141,900	142,890	151,053	166,361	183,724
Net Profit (Rsm)	100,253	110,660	109,185	120,125	133,337
Core EPS (Rs)	42.9	45.8	46.5	51.1	56.7
Core EPS Growth	1.4%	6.5%	1.5%	10.0%	11.0%
FD Core P/E (x)	59.10	53.54	54.26	49.32	44.43
DPS (Rs)	39.0	39.0	41.7	45.8	50.9
Dividend Yield	1.55%	1.55%	1.65%	1.82%	2.02%
EV/EBITDA (x)	40.95	40.74	38.78	35.14	31.70
P/FCFE (x)	50.67	48.37	97.82	49.08	42.21
Net Gearing	(20.3%)	(19.1%)	(11.2%)	(13.5%)	(17.0%)
P/BV (x)	11.62	12.05	11.78	11.50	11.20
ROE	19.9%	21.5%	22.0%	23.6%	25.5%
% Change In Core EPS Estimates			1.25%	1.19%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Growth revival in sight; upgrade to ADD

Figure 1: Quarterly results summary - standalone

Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	1,53,390	1,52,140	1,59,310	3.9	4.7	6,04,690	6,14,690	1.7
Expenditure	1,17,330	1,17,510	1,23,730	5.5	5.3	4,62,790	4,71,830	2.0
Consumption of RM	74,480	75,370	80,890	8.6	7.3	2,93,270	3,01,790	2.9
as a % of sales	48.6	49.5	50.8			48.5	49.1	
Employee Costs	6,020	7,890	6,570	9.1	-16.7	27,820	28,400	2.1
as a % of sales	3.9	5.2	4.1			4.6	4.6	0.20
Advertising & Promotion Costs	16,440	14,540	15,560	-5.4	7.0	63,800	60,280	-5.5
as a % of sales	10.7	9.6	9.8			10.6	9.8	-0.95
Other expenditure	20,390	19,710	20,710	1.6	5.1	77,900	81,360	4.4
as % of sales	13.3	13.0	13.0			12.9	13.2	-0.29
EBITDA	36,060	34,630	35,580	-1.3	2.7	1,41,900	1,42,860	0.7
Depreciation	2,980	3,130	3,240	8.7	3.5	10,970	12,240	11.6
EBIT	33,080	31,500	32,340	-2.2	2.7	1,30,930	1,30,620	-0.2
Other Income	2,570	2,990	2,470	-3.9	-17.4	9,730	11,770	21.0
Interest	850	750	1,100	29.4	46.7	3,020	3,640	20.5
PBT	34,800	33,740	33,710	-3.1	-0.1	1,37,640	1,38,750	0.8
Total Tax	8,940	8,610	5,120	-42.7	-40.5	35,610	36,560	2.7
APAT	25,860	25,130	28,590	10.6	13.8	1,02,030	1,02,190	0.2
Extraordinary items	-480	-230	-1,270	NA	NA	-890	4,220	NA
Reported PAT	25,380	24,900	27,320	7.6	9.7	1,01,140	1,06,410	5.2
EPS	10.8	10.6	11.6	7.6	9.7	43.0	45.3	5.2
Margins (%)	1QFY25	4QFY25	1QFY26	(bp)	(bp)	FY24	FY25	(bp)
Gross Margin	51.4	50.5	49.2	-220	-120	51.5	50.9	-60
EBITDA	23.5	22.8	22.3	-120	-40	23.5	23.2	-20
EBIT	21.6	20.7	20.3	-130	-40	21.7	21.2	-40
EBT	22.7	22.2	21.2	-150	-100	22.8	22.6	-20
PAT	16.9	16.5	17.9	110	140	16.9	16.6	-20
Effective Tax Rate	25.7	25.5	15.2	-1,050	-1,030	25.9	26.3	50

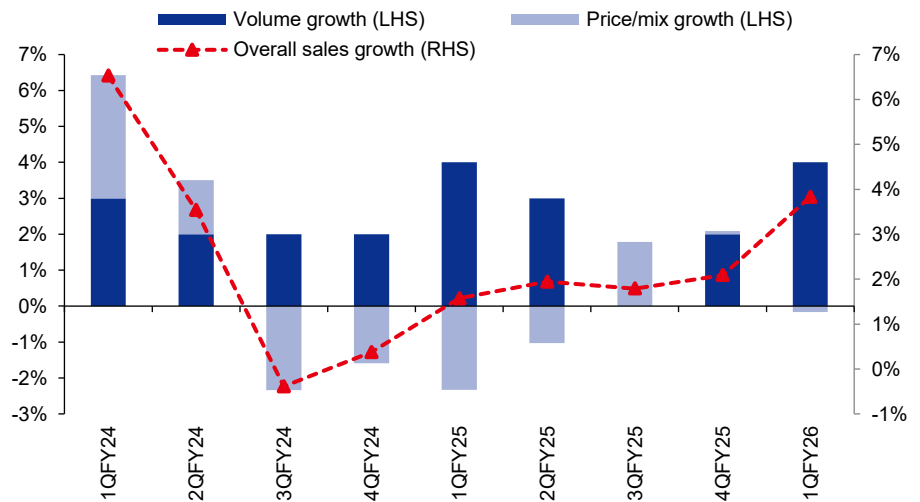
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segment-wise performance - standalone

Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Segment Revenue								
Home Care	56,750	58,180	57,830	1.9	-0.6	2,19,000	2,29,720	4.9
Beauty & Wellbeing	31,990	31,130	33,490	4.7	7.6	1,27,540	1,30,730	2.5
Personal Care	23,860	21,240	25,410	6.5	19.6	94,110	91,680	(2.6)
Foods & Refreshments	38,500	38,962	40,160	4.3	3.1	1,52,920	1,52,940	0.0
Others	2,290	2,630	2,420	5.7	-8.0	11,120	9,620	(13.5)
Total	1,53,390	1,52,142	1,59,310	3.9	4.7	6,04,690	6,14,690	1.7
Segment Results								
Home Care	11,090	10,560	10,930	-1.4	3.5	40,330	43,060	6.8
Beauty & Wellbeing	10,060	10,370	9,770	-2.9	-5.8	41,650	41,760	0.3
Personal Care	4,180	3,920	4,700	12.4	19.9	16,370	16,060	(1.9)
Foods & Refreshments	7,360	6,270	6,520	-11.4	4.0	28,300	28,080	(0.8)
Others	390	410	420	7.7	2.4	4,070	1,690	(58.5)
Total	33,080	31,530	32,340	-2.2	2.6	1,30,720	1,30,650	(0.1)
Add- Unall. Income / (Expenses)	2,570	2,990	2,470	-3.9	-17.4	9,730	11,770	21.0
Less- Interest Expenses	-850	-750	-1,100	29.4	46.7	-3,020	-3,640	20.5
Less- Exceptional items	-480	-230	-480	NA	NA	-890	4,220	NA
PBIT	34,320	33,540	33,230	-3.2	-0.9	1,36,540	1,43,000	4.7
Segment EBIT Margin (%)				(bp)	(bp)			(bp)
Home Care	19.5	18.2	18.9	-60	70	18.4	18.7	30
Beauty & Wellbeing	31.4	33.3	29.2	-230	-410	32.7	31.9	-70
Personal Care	17.5	18.5	18.5	100	0	17.4	17.5	10
Foods & Refreshments	19.1	16.1	16.2	-290	10	18.5	18.4	-10
Others	17.0	15.6	17.4	30	180	36.6	17.6	-1900
Average	21.6	20.7	20.3	-130	-40	21.6	21.3	-40

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Volume growth inching up towards mid-single digit



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Portfolio transformation aiding volume growth recovery



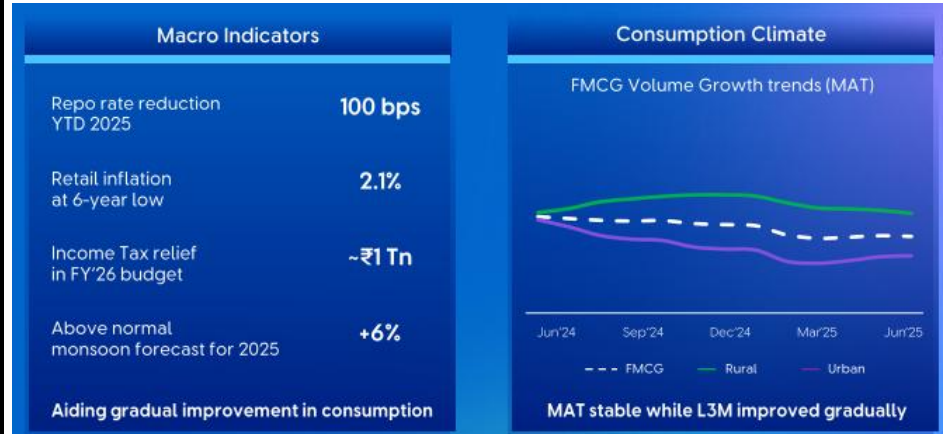
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Management expects a sequential improvement in gross margin as the price action vs. inflation gap is expected to narrow going ahead



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Urban volume growth is expected to improve sequentially going ahead



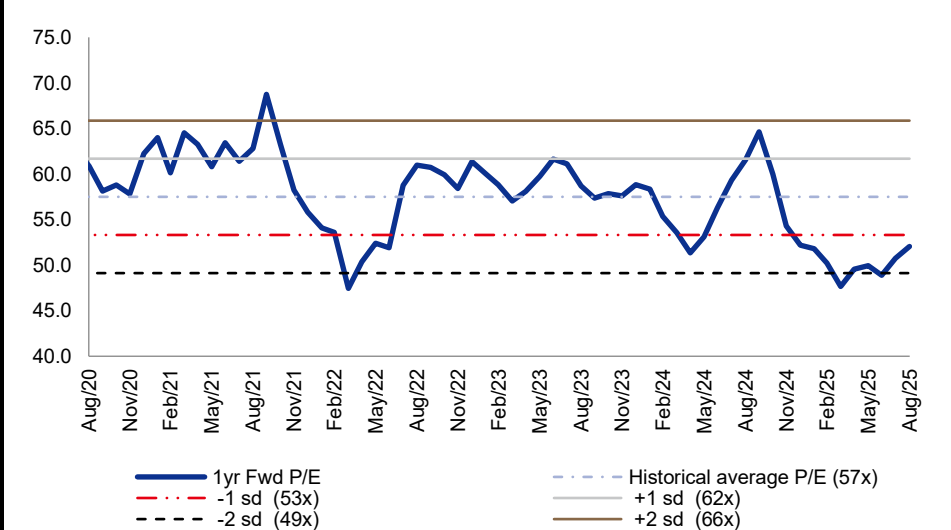
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

	FY26F			FY27F			FY28F
Y/E Mar (Rs m)	Earlier	Revised	% Change	Earlier	Revised	% Change	Introduced
Net Sales	6,54,180	6,57,526	0.5	7,11,590	7,15,249	0.5	7,78,151
EBITDA	1,50,285	1,51,053	0.5	1,65,512	1,66,361	0.5	1,83,236
EBITDA Margin (%)	23.0	23.0	0bp	23.3	23.3	0bp	23.5
APAT	1,08,620	1,09,185	0.5	1,19,500	1,20,125	0.5	1,32,979
EPS (Rs)	46.2	46.5	0.5	50.9	51.1	0.5	56.6

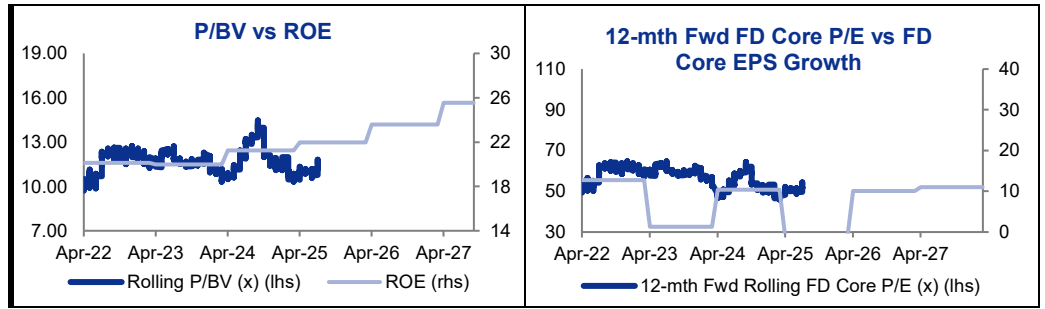
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: We value HUL at 52x Sep 2027F EPS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	604,690	614,690	657,526	715,249	780,232
Gross Profit	311,420	312,930	340,655	371,991	407,348
Operating EBITDA	141,900	142,890	151,053	166,361	183,724
Depreciation And Amortisation	(10,970)	(12,240)	(11,900)	(12,750)	(12,750)
Operating EBIT	130,930	130,650	139,153	153,611	170,974
Financial Income/(Expense)	2,490	3,990	4,843	4,945	5,204
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,223	4,140	4,554	4,879	5,233
Profit Before Tax (pre-EI)	137,643	138,780	148,550	163,435	181,411
Exceptional Items	(890)	4,220			
Pre-tax Profit	136,753	143,000	148,550	163,435	181,411
Taxation	(35,610)	(36,560)	(39,366)	(43,310)	(48,074)
Exceptional Income - post-tax					
Profit After Tax	101,143	106,440	109,185	120,125	133,337
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(890)	4,220			
Net Profit	100,253	110,660	109,185	120,125	133,337
Recurring Net Profit	100,911	107,519	109,185	120,125	133,337
Fully Diluted Recurring Net Profit	100,911	107,519	109,185	120,125	133,337

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	141,900	142,890	151,053	166,361	183,724
Cash Flow from Invt. & Assoc.					
Change In Working Capital	42,650	12,830	(48,013)	332	6,773
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(890)	4,220			
Other Operating Cashflow	9,733	11,770	12,947	13,524	14,137
Net Interest (Paid)/Received	(3,020)	(3,640)	(3,550)	(3,700)	(3,700)
Tax Paid	(35,610)	(36,560)	(39,366)	(43,310)	(48,074)
Cashflow From Operations	154,763	131,510	73,072	133,207	152,860
Capex	(20,850)	(17,930)	(12,500)	(12,500)	(12,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(16,990)	8,910			
Other Investing Cashflow					
Cash Flow From Investing	(37,840)	(9,020)	(12,500)	(12,500)	(12,500)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(93,980)	(124,530)	(97,894)	(107,703)	(119,549)
Preferred Dividends					
Other Financing Cashflow	1,647	1,180			
Cash Flow From Financing	(92,333)	(123,350)	(97,894)	(107,703)	(119,549)
Total Cash Generated	24,590	(860)	(37,323)	13,004	20,811
Free Cashflow To Equity	116,923	122,490	60,572	120,707	140,360
Free Cashflow To Firm	119,943	126,130	64,122	124,407	144,060

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	117,260	109,070	79,297	93,101	114,712
Total Debtors	26,900	34,500	35,566	42,566	46,445
Inventories	38,120	41,610	40,901	48,371	52,779
Total Other Current Assets	45,710	49,440	49,227	49,540	49,892
Total Current Assets	227,990	234,620	204,991	233,578	263,828
Fixed Assets	359,780	365,470	366,070	365,820	365,570
Total Investments	9,830	9,880	9,880	9,880	9,880
Intangible Assets	173,160	173,160	173,160	173,160	173,160
Total Other Non-Current Assets	(64,540)	(65,830)	(65,830)	(65,830)	(65,830)
Total Non-current Assets	478,230	482,680	483,280	483,030	482,780
Short-term Debt	3,400	3,800	3,800	3,800	3,800
Current Portion of Long-Term Debt					
Total Creditors	163,950	188,700	145,697	159,403	173,233
Other Current Liabilities					
Total Current Liabilities	167,350	192,500	149,497	163,203	177,033
Total Long-term Debt	10,340	11,570	19,120	19,920	20,720
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	10,340	11,570	19,120	19,920	20,720
Total Provisions	18,800	21,700	16,834	18,243	19,826
Total Liabilities	196,490	225,770	185,451	201,366	217,579
Shareholders Equity	509,730	491,530	502,820	515,242	529,029
Minority Interests					
Total Equity	509,730	491,530	502,820	515,242	529,029

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	2.2%	1.7%	7.0%	8.8%	9.1%
Operating EBITDA Growth	4.1%	0.7%	5.7%	10.1%	10.4%
Operating EBITDA Margin	23.5%	23.2%	23.0%	23.3%	23.5%
Net Cash Per Share (Rs)	44.05	39.87	23.99	29.52	38.38
BVPS (Rs)	216.91	209.16	213.97	219.25	225.12
Gross Interest Cover	43.35	35.89	39.20	41.52	46.21
Effective Tax Rate	26.0%	25.6%	26.5%	26.5%	26.5%
Net Dividend Payout Ratio	90.6%	86.1%	89.7%	89.7%	89.7%
Accounts Receivables Days	16.37	18.23	19.45	19.94	20.82
Inventory Days	48.81	48.22	47.52	47.46	49.51
Accounts Payables Days	179.97	213.28	192.59	162.21	162.80
ROIC (%)	31.5%	31.9%	30.7%	33.8%	38.1%
ROCE (%)	26.3%	26.8%	28.6%	30.5%	32.9%
Return On Average Assets	14.5%	14.4%	14.8%	16.4%	17.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.