



Hindustan Unilever Limited



**Hindustan Unilever Ltd**

**TP: 2710 | Upside: 18% | BUY**

**FMCG**

16<sup>th</sup> Feb, 2026

Market Cap - ₹ 5,43,284 Cr.	Current Price - ₹ 2,321	High / Low - ₹ 2,660 / 2,044	Dividend Yield – 1.87 %
EPS - ₹ 61.8	Promoter holding – 61.9 %	ROE – 20.7 %	ROCE – 27.8 %

### Key Sensitivities & External Factors

#### ➤ GST 2.0 / Tax and Consumption Impact

GST reforms and rate cuts have been a notable macro factor seen in HUL’s recent performance:

- Revised GST rates (part of “GST 2.0”) on many everyday FMCG products have helped boost demand reflected in improving volume trends and consumer spending, especially for essential goods.
- Q3 FY26 results show revenue growth partly credited to GST cuts and lower food inflation boosting disposable income and consumption, though input cost volatility remains a headwind.
- Market commentary notes early signs of GST benefits feeding into HUL’s margin recovery albeit within a broader context of consumer demand still improving.

#### ➤ Ice-Cream Business Demerger — Kwality Wall’s (India) Ltd

One of the most significant corporate developments for HUL in recent months:

- **Demerger Completion & Listing** The demerger of HUL’s ice cream business into a separate listed company, Kwality Wall’s (India) Ltd (KWIL), became effective from 1 December 2025 after approvals from the National Company Law Tribunal (NCLT).
- Shareholders of HUL received 1 share of KWIL for every 1 HUL share held.
- Kwality Wall’s has now been listed on stock exchanges (trading started around 16 Feb 2026). It began at a discount to adjusted reference prices, and an open offer for up to 26% stake has been announced by an acquirer (Magnum Ice Cream Company HoldCo 1 Netherlands B.V.)

#### ➤ Market Reaction & Strategy

- HUL’s share price saw a notable adjustment around the demerger record date (e.g., a drop as the ice-cream business value was carved out) a normal technical effect post-demerger.
- The purpose of this separation was to unlock value and sharpen strategic focus letting the ice-cream business operate independently due to its unique operating model and growth dynamics vs HUL’s mainstream FMCG categories.

#### ➤ Other Corporate Moves

- **Acquisitions / M&A efforts:** HUL earlier sought regulatory clearance to acquire brands like Minimalist (beauty/skin care) part of its portfolio expansion.
- **Leadership changes:** CFO transition (Niranjan Gupta as CFO-designate) reflects internal strategic evolution, including oversight of finance and growth initiatives.

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## Industry Overview

India is the world's fourth-largest consumer sector, currently entering a "consumption decade" with a projected market size of \$220 billion to \$240 billion.

- **The Rural Rebound:** For the first time in years, rural volume growth (approx. 7.7%) is outpacing urban growth. Improved agricultural yields, good monsoons, and direct village reach by giants like Dabur (now in 1.33 lakh villages) have fueled this recovery.
- **The Quick Commerce Disruptor:** In urban India, "Quick Commerce" (Blinkit, Zepto, Swiggy Instamart) has fundamentally changed buying habits. It now accounts for nearly 20% of urban FMCG sales, forcing brands to re-think their supply chains to support 10-minute delivery cycles.
- **Policy & GST 2.0:** The implementation of GST 2.0 and the 2025-26 Union Budget have been transformational. Essential items (soaps, biscuits, detergents) moved into the 5% slab, allowing companies to increase "grammage" (product weight) while keeping prices stable—a key driver for volume growth.

The global market is valued at approximately \$15.8 trillion and is moving toward a more automated, AI-driven future.

- **A-Commerce (Agentic Commerce):** AI agents are now acting as personal shoppers, managing "automated replenishment" for households. Brands must now optimize their data for machines (APIs and taxonomy) as much as for humans.
- **"Treatonomics":** Despite economic pressures, consumers are splurging on "micro-treats" small luxuries like premium chocolates or craft drinks to combat "polycrisis fatigue."
- **Health & Longevity:** Driven by the rise of GLP-1 medications and aging populations, there is a massive surge in demand for nutrient-rich, satiety-enhancing foods and alcohol-free alternatives.



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## Business Overview

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods (FMCG) company, with a legacy spanning over 90 years in the country. Headquartered in Mumbai, it operates as a subsidiary of the British-Dutch multinational Unilever. The company was established in India in 1931 as Hindustan Vanaspati Manufacturing Co. Following a merger of constituent groups in 1956, it was renamed Hindustan Lever Limited. The company was renamed again in June 2007 as Hindustan Unilever Limited. The company offering packaged foods, beauty & personal care, and homecare products. Its portfolio spans detergents, oral care, skincare, haircare, cosmetics, beverages, nutrition drinks, ice cream, and frozen desserts. It also manages beauty salons and property sales.



## Core Business

The company has a portfolio of over 50 brands, spanning 16 FMCG categories, including 19 brands with a turnover of more than Rs. 1,000 Cr PA. The products are split into the following segments:

### ➤ Home Care

This segment focuses on household hygiene and fabric cleaning solutions. It is a major revenue driver, contributing approximately 34%–35% of the company's total revenue.

- **Fabric Care:** Includes detergents and fabric conditioners like Surf Excel, Rin, Wheel, and Comfort.
- **Household Care:** Brands focused on dishwashing and surface cleaning, such as Vim, Domex, and Cif.
- **Strategic Shift:** In late 2024, HUL completed the sale of its Pureit water purification business to A.O. Smith to sharpen focus on its core FMCG categories.

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### ➤ Beauty & Wellbeing

HUL is the market leader in the Indian BPC space, with the segment contributing roughly 38% of total revenue.

- **Key Categories:** Hair Care, Skin Care (Core), Prestige Beauty, and Health & Wellbeing.
- **Leading Brands:** Dove, Sunsilk, TRESemmé, Vaseline, Pond's, Lakmé, and Glow & Lovely.
- **Skin Care & Cosmetics:** Features iconic brands like Dove, Hamam, Vaseline, Glow & Lovely and Pond's.
- **Hair Care:** Leading brands including Clinic Plus, Sunsilk, Indulekha, and the premium brand TRESemmé.
- **Skin Care & Cosmetics:** Includes Pond's, Vaseline, Lakmé, and Glow & Lovely.
- **New Acquisitions:** In 2025, HUL significantly expanded its "Health & Wellbeing" portfolio by acquiring a 90.5% stake in the science-backed D2C brand Minimalist, Oziva and launching the premium hair care brand Nexxus in India.

### ➤ Personal Care

Separated from the broader beauty segment to focus on daily hygiene and essential care.

- **Key Categories:** Skin Cleansing (soaps), Oral Care, and Deodorants.
- **Leading Brands:** Lux, Lifebuoy, Pears, Rexona, Axe, and Closeup.
- **2026 Focus:** Strengthening the "Freshness" portfolio in Oral Care (Closeup Intense Cool) and driving volume through premium soap bars like Pears.

### ➤ Foods & Refreshment

This segment encompasses nutrition, beverages, and culinary products, contributing about 23.8% of HUL's revenue.


- **Nutrition:** Following the 2020 merger with GSK Consumer Healthcare, HUL integrated major health drink brands Horlicks and Boost.
- **Beverages:** Includes India's leading tea brands under the Brooke Bond umbrella (Red Label, Taj Mahal, Taaza) and Bru coffee.
- **Foods:** Culinary products including Kissan (jams, ketchups) and Knorr (soups, meal makers).
- **Ice Cream (Recent Demerger):** In December 2025, HUL's Board approved the demerger of its ice cream business (brands like Kwality Wall's, Cornetto, and Magnum) into a separate wholly-owned subsidiary, Kwality Wall's (India) Limited.

### ➤ Other Segments

A smaller portion of revenue (approx. 3.4%) comes from miscellaneous operations, including Exports of home and personal care products and food ingredients to global Unilever affiliates.

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## Company Financials

### Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
<b>Sales</b>	654.2	695.1	749.9
Sales Gr. (%)	3.6	6.3	7.9
<b>EBITDA</b>	151.7	162.3	175.9
EBITDA mrg. (%)	23.2	23.3	23.5
<b>Adj. PAT</b>	103.4	112.6	123.2
Adj. EPS (INR)	44.0	47.9	52.4
EPS Gr. (%)	-0.8	8.9	9.4
BV/Sh.(INR)	212.2	215.1	219.5
<b>Ratios</b>			
RoE (%)	20.8	22.4	24.1
RoCE (%)	29.0	30.8	33.1
Payout (%)	95.5	93.9	91.6
<b>Valuations</b>			
P/E (x)	54.8	50.3	46.0
P/BV (x)	11.4	11.2	11.0
EV/EBITDA (x)	37.2	34.7	32.0
Div. Yield (%)	1.7	1.9	2.0

### Quarterly performance (Consolidated)

(INR b)

Y/E March	FY25				FY26E				FY25	FY26E	FY26 3QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q*	4QE				
Domestic volume growth (%)	4.0	3.0	0.0	2.0	4.0	0.0	4.0	5.0	2.0	3.3	3.0	
Total revenue	157.1	159.3	158.2	156.7	165.1	162.5	164.4	162.2	631.2	654.2	161.0	2.1%
YoY change (%)	1.4	1.9	1.6	3.0	5.1	2.0	3.9	3.5	2.0	3.6	1.8	
Gross Profit	81.6	82.2	81.2	80.5	82.7	83.6	84.5	83.5	325.4	334.3	82.4	
Margin %	52.0	51.6	51.3	51.4	50.1	51.4	51.4	51.5	51.6	51.1	51.2	
EBITDA	37.4	37.9	37.0	36.2	37.2	37.4	39.0	38.2	148.5	151.7	37.4	4.3%
YoY change (%)	2.2	-0.1	0.8	2.4	-0.7	-1.4	5.6	5.7	1.3	2.2	1.2	
Margins (%)	23.8	23.8	23.4	23.1	22.5	23.0	23.7	23.6	23.5	23.2	23.2	
Depreciation	3.3	3.4	3.4	3.5	3.6	3.6	3.4	3.4	13.6	14.0	3.6	
Interest	0.9	1.1	1.1	0.8	1.3	1.3	0.9	1.1	4.0	4.5	1.1	
Other income	2.6	2.2	2.3	3.1	2.0	1.5	1.4	1.9	10.2	6.8	1.6	
PBT	35.8	35.6	34.7	35.0	34.3	34.0	36.2	35.7	141.2	140.0	34.3	5.3%
Tax	9.2	9.5	9.9	8.9	5.4	8.8	8.0	8.6	37.4	30.7	8.6	
Rate (%)	25.6	26.6	28.6	25.3	15.6	25.8	22.2	24.2	26.5	22.0	25.0	
PAT bei	26.5	26.0	26.0	25.7	25.3	25.0	26.2	26.9	104.2	103.4	25.7	2.0%
YoY change (%)	2.5	-2.1	2.9	2.6	-4.5	-4.0	0.7	4.8	1.4	-0.8	-1.3	
Reported Profit	26.1	25.9	29.8	24.6	27.6	27.0	21.2	26.9	106.5	102.6	25.7	

\*3QFY26 excludes the ice cream business and is not comparable to base

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## Segmental performance

Segment Revenue (INR b)	1QFY25	2QFY25	3QFY25*	4QFY25	1QFY26	2QFY26*	3QFY26*
Home Care	56.7	57.3	57.4	58.2	57.8	56.6	58.9
Beauty & Personal Care	56.7	58.3	58	53.9	61.7	61.6	63
-Beauty and wellbeing	32.8	34.2	35.6	32.7	36.3	37.3	39.3
-Personal care	23.9	24.1	22.4	21.3	25.4	24.3	23.7
Foods & Refreshments	38.5	38	34.8	39	40.2	35.5	36.9
Others	5.2	5.6	5.4	5.7	5.5	5.5	5.7
Net Segment Revenue	157.1	159.3	155.6	156.7	165.1	159.2	164.4
<b>Growth YoY (%)</b>							
Home Care	4.6	8	5.4	1.9	1.8	-1.2	2.6
Beauty & Personal Care	0	-0.7	0.3	5.2	8.9	5.6	8.6
-Beauty and wellbeing	3.5	2.5	2.6	6.6	10.7	9.1	10.5
-Personal care	-4.5	-4.9	-3.1	3.1	6.5	0.6	5.7
Foods & Refreshments	1.4	-1.2	0.3	-0.4	4.3	1.7	5.9
Others	-15.2	-5.2	-12	21.9	6.4	-1.6	5.6
Net Segment Revenue	1.4	1.9	-0.1	3	5.1	0	5.7
<b>Salience (%)</b>							
Home Care	36.1	36	36.9	37.1	35	35.6	35.8
Beauty & Personal Care	36.1	36.6	37.3	34.4	37.4	38.7	38.3
-Beauty and wellbeing	20.9	21.5	22.9	20.8	22	23.4	23.9
-Personal care	15.2	15.1	14.4	13.6	15.4	15.2	14.4
Foods & Refreshments	24.5	23.9	22.4	24.9	24.3	22.3	22.4
Others	3.3	3.5	3.4	3.6	3.3	3.5	3.4
Total Segment Revenue	100	100	100	100	100	100	100
<b>Segment Results (EBIT) - (INR b)</b>							
Home Care	11.4	11.1	10.9	10.9	11.3	10.8	11
Beauty & Personal Care	14.3	15.3	14.2	14.4	14.7	15.5	14.5
-Beauty and wellbeing	10	11.2	10.2	10.5	10	10.6	10.3
-Personal care	4.3	4.1	4	4	4.8	4.9	4.2
Foods & Refreshments	7.4	6.9	7.7	6.3	6.5	7.2	7.7
Others	1.2	1.2	0.9	1.1	1	1.1	1.3
Total Segment Results	34.2	34.6	33.7	32.7	33.6	34.6	34.5
PBT	35.3	35.4	40.3	33.6	33	37	29.2
<b>Growth YoY (%)</b>							
Home Care	12.1	9.9	9.8	-1.6	-0.6	-2.8	1.3
Beauty & Personal Care	-3.1	-3.3	-3.1	11.9	3.4	1.5	1.9
-Beauty and wellbeing	-2.2	0.4	-7.1	14.7	-0.2	-5.5	0.7
-Personal care	-5.3	-12.3	8.7	5	11.8	20.9	5
Foods & Refreshments	8.1	-4.2	6.2	-15.2	-11.4	-8.8	0.1
Others	-45.1	-34.2	-50	45.9	-12.8	-12.4	40.4
Total Segment Results	1.1	-1.3	0.5	1.8	-1.7	0.2	2.4

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Salience (%)							
Home Care	33.3	32.2	32.2	33.4	33.6	31.3	31.9
Beauty & Personal Care	41.8	44.3	42.1	44.1	43.9	44.8	41.9
-Beauty and wellbeing	29.3	32.5	30.2	32	29.8	30.6	29.7
-Personal care	12.4	11.8	11.9	12.2	14.1	14.2	12.2
Foods & Refreshments	21.6	20	22.9	19.2	19.4	20.8	22.4
Others	3.4	3.5	2.8	3.3	3	3.1	3.8
<b>Total Segment Results</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Segmental EBIT margin (%)							
Home Care	20	19.4	18.9	18.8	19.5	19.1	18.7
Beauty & Personal Care	25.2	26.2	24.5	26.8	23.9	25.2	23
-Beauty and wellbeing	30.5	32.8	28.6	32	27.5	28.4	26.1
-Personal care	17.8	16.9	17.9	18.7	18.7	20.3	17.8
Foods & Refreshments	19.1	18.1	22.2	16.1	16.2	20.3	21
Others	22.6	21.6	17.6	19	18.5	19.2	23.4
<b>Total</b>	<b>21.7</b>	<b>21.7</b>	<b>21.7</b>	<b>20.9</b>	<b>20.3</b>	<b>21.8</b>	<b>21</b>
EBIT margin change YoY (bps)							
Home Care	134	33	76	-66	-48	-32	-24
Beauty & Personal Care	-81	-70	-87	160	-128	-101	-152
-Beauty and wellbeing	-176	-68	-298	225	-300	-440	-255
-Personal care	-16	-142	194	35	89	341	-11
Foods & Refreshments	118	-55	312	-281	-288	218	-121
Others	-1,229	-953	-1,335	313	-409	-237	579
<b>Total</b>	<b>-6</b>	<b>-71</b>	<b>13</b>	<b>-26</b>	<b>-141</b>	<b>6</b>	<b>-68</b>

### We largely maintain our EPS estimates for FY26-FY28

(INR b)	New estimates			Old estimates			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	654.2	695.1	749.9	652.7	699.1	755.1	0.2%	-0.6%	-0.7%
EBITDA	151.7	162.3	175.9	149.7	163.1	177.8	1.3%	-0.5%	-1.0%
PAT	103.4	112.6	123.2	102.0	112.9	124.0	1.4%	-0.3%	-0.6%

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- Financial Trajectory (FY26E–FY28E):** Sales projected at ₹654.2bn → ₹695.1bn → ₹749.9bn; EBITDA ₹151.7bn → ₹162.3bn → ₹175.9bn; Adj. PAT ₹103.4bn → ₹112.6bn → ₹123.2bn, implying high single-digit revenue CAGR and 9–10% EPS growth from FY27 onward (after -0.8% in FY26E, improving to 8.9%/9.4%).
- Recent Quarterly Performance (3QFY26):** Revenue ₹164.4bn (+2.1% YoY), EBITDA ₹39.0bn (+4.3%), PBT ₹36.2bn (+5.3%); EBITDA margin 23.7%, indicating gradual recovery with stable profitability.
- Segment Momentum:** **Beauty & Wellbeing** remains the growth driver (double-digit growth in recent quarters), **Home Care** steady but slower, **Foods & Refreshments** volatile; Net segment revenue growth improved to 5.7% in 3QFY26 vs flat in 2Q.
- Margins & Efficiency:** Consolidated EBITDA margin stable at 23–24%; RoCE improving from 29.0% (FY26E) to 33.1% (FY28E), reflecting strong capital efficiency and favorable premium mix.
- Capital Allocation & Shareholder Returns:** Asset-light FMCG model intact; dividend yield rising gradually (1.7% → 2.0%); strong cash generation supports consistent payouts.
- Valuation Metrics:** P/B moderating from 11.4x (FY26E) to 11.0x (FY28E); premium valuation sustained by high return ratios, earnings visibility, and defensive positioning.
- Overall View:** Positioned as a steady compounder with improving earnings momentum, resilient margins, and strong RoCE; near-term growth likely moderate, with medium-term upside dependent on rural recovery, volume acceleration, and sustained premium category outperformance.

## Peer Comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	<a href="#">Hind. Unilever</a>	2318.10	49.89	544658.76	1.85	6603.00	9.62	16441.00	5.69	27.85
2.	<a href="#">ITC</a>	325.65	19.81	408014.34	4.41	5018.45	9.62	20047.30	6.69	36.79
3.	<a href="#">Hindustan Foods</a>	499.00	43.70	5962.15	0.00	36.12	35.19	998.24	13.47	14.34
4.	<a href="#">Godavari Bioref.</a>	284.75	27.03	1457.23	0.00	8.25	126.91	459.85	2.81	5.79
5.	<a href="#">Davangere Sugar</a>	4.83	81.35	690.69	0.00	2.62	-61.30	82.69	13.00	6.70
	Median: 5 Co.	325.65	43.7	5962.15	0.0	36.12	9.62	998.24	6.69	14.34

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## Key Strengths

### Unmatchend Distribution, Digital Dominance & AI Integration

HUL possesses one of the most sophisticated distribution networks in the world, ensuring its products are available from high-end urban malls to the most remote rural hamlets.

- The Shikhar App: Now used by over 1.4 million retailers (kirana stores). In 2025, HUL introduced Generative AI into the app, allowing small shopkeepers to create professional promotional videos from a single photo of their store.
- The "Shakti" Advantage: Through Project Shakti, HUL employs over 160,000 rural women as micro-entrepreneurs, creating a "last-mile" distribution channel in villages that are otherwise inaccessible to competitors.
- Digital Demand Capture: Approximately 35% of HUL's total demand is now captured digitally.
- Nerve Center: HUL uses an AI-powered "Nerve Center" that unifies its entire supply chain—Plan, Source, Make, and Deliver—allowing for real-time adjustments to market demand and reducing waste.

### Portfolio Transformation: "Future Core" & "Market Makers"

- Originating as a tech provider for the telecom industry, Tech Mahindra remains a leader in telecom digital services, a sector less prone to SaaS-style churn and price wars.
- The Core: High-volume legacy brands (e.g., Lifebuoy, Wheel). The focus here is on defending market share and driving efficiency.
- Future Core: Premium versions of core products (e.g., Surf Excel Matic, Dove, Comfort). HUL reported a 200 bps shift in its portfolio from "Core" to "Future Core" in FY2024-25, as consumers increasingly upgrade to better products.
- Market Makers: This is a ₹7,000 crore portfolio focused on high-growth, nascent categories like liquid detergents, body washes, and specialized hair care. This segment delivered strong double-digit growth in 2025.

### Deep Consumer Insight & Localization

HUL's "Winning in Many Indias" (WiMI) strategy allows it to treat India not as one market, but as 15+ distinct clusters with different languages, climates, and preferences.

- Localized Innovation: It customizes product formulations and marketing based on local water hardness, skin types, and regional tastes (e.g., different tea blends for different states).
- Sachet Revolution: HUL pioneered the use of low-unit-price (LUP) sachets, making premium brands affordable for daily-wage earners.

### Robust R&D and Innovation Pipeline




HUL is widely regarded as the premier training ground for corporate leadership in India.

- Leadership Pipeline: It has a legendary track record of grooming talent; many CEOs of other top Indian companies are former "Leaverites."
- Employer of Choice: Consistently ranked as one of the most attractive employers for MBA graduates, ensuring a steady stream of top-tier talent.

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### Strategic Leap into Health & Wellbeing

HUL is pivotally shifting toward the Vitamins, Minerals, and Supplements (VMS) and Holistic Beauty sectors.

- **OZiva Full Acquisition:** In February 2026, HUL announced it is acquiring the remaining 49% stake in OZiva, a leading plant-based nutrition brand, for ₹824 crore. OZiva has scaled remarkably, reaching a turnover of ~₹480 crore in 2025 with a 130% CAGR over two years.
- **Minimalist Acquisition:** HUL also recently added Minimalist (a science-led skincare brand with a ₹500 crore turnover) to its stable, targeting the "conscious consumer" who looks for active ingredients like Salicylic Acid or Niacinamide.
- **Divestment for Focus:** To sharpen its focus, HUL recently divested its water business (Pureit) and its minority stake in Nutritionalab.

### "CEO Factory" & Talent Management

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- **Employer of Choice:** Consistently ranked as one of the most attractive employers for MBA graduates, ensuring a steady stream of top-tier talent.

## Key Risks

### Macroeconomic and Demand Risks

The health of HUL is deeply tied to the Indian economy's "disposable income" levels.

- **Subdued Urban Demand:** While rural recovery has been a highlight in late 2025, urban consumption has moderated. A prolonged slowdown in middle-class spending could hurt HUL's "premiumization" strategy.
- **Rural Volatility:** Rural demand is highly sensitive to the monsoon and government minimum support prices (MSP). Any climate-related disruption (like El Niño) directly impacts the purchasing power of nearly 40% of HUL's consumer base.
- **Inflationary Pressure:** Significant price volatility in key raw materials—specifically palm oil, tea, and coffee—continues to squeeze gross margins. While HUL uses "calibrated price hikes," aggressive increases can lead consumers to downtrade to cheaper local brands.




### Intense Competitive Landscape

- **The "Digital-First" D2C Threat:** Agile, Direct-to-Consumer (D2C) brands (e.g., Mamaearth, Sugar Cosmetics) are nibbling away at HUL's market share in premium beauty and personal care. These brands often innovate faster and resonate better with Gen Z.
- **Regional & Local Players:** In the mass market, local "unorganized" players often emerge during periods of low inflation, offering products at prices HUL cannot match due to its high overhead costs.
- **Retailer Brands (Private Labels):** Growth in modern trade (Reliance Retail, DMart) means these retailers are pushing their own "private label" brands, which compete directly with HUL on the same shelves at lower price points.

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### Execution Risks in Strategic Shifts

HUL is currently undergoing a massive structural transformation.

- **Ice Cream Demerger:** The 2025-26 demerger of the ice cream business (Kwality Wall's) is a double-edged sword. While it simplifies the business, HUL loses a high-growth (albeit seasonal) category. There is a risk that the standalone entity may struggle with profitability, affecting HUL's overall investment valuation.
- **Acquisition Integration:** HUL has spent billions on acquisitions like OZiva and Minimalist. Integrating these "digital-first" cultures into a century-old corporate giant without stifling their agility is a significant management challenge.

### Regulatory and ESG Risks

As India's largest FMCG player, HUL is a primary target for regulatory scrutiny.

- **Plastic Waste Management:** Tightening Extended Producer Responsibility (EPR) norms in India require HUL to collect and process 100% of its plastic packaging. Failure to meet these targets or rising costs of sustainable packaging can hurt the bottom line.
- **New Labour Codes:** Recent changes in Indian labour laws have led to one-time financial impacts (such as the ₹110 crore gratuity charge in late 2025), and future compliance could increase operational costs.
- **ASCI & Marketing Scrutiny:** Increased vigilance by the Advertising Standards Council of India (ASCI) on "greenwashing" or health claims (especially for brands like Horlicks) poses a reputational risk.

### Digital and Technological Vulnerability

- **Cybersecurity:** As HUL digitizes its entire supply chain and moves millions of retailers onto the Shikhar app, it becomes a larger target for cyber-attacks that could paralyze its distribution.
- **AI Displacement:** While AI offers efficiency, the transition to an "AI-first" organization requires massive upskilling. If HUL fails to adopt AI faster than its "digitally native" competitors, it risks losing its data-driven edge.




## Valuation and Outlook

- **Strategic Focus on Growth:** HUVR remains sharply focused on topline acceleration, supported by volume-led growth and sustained new product launches across categories and channels.
- **'Unified India' Strategy:** The company has introduced its Unified India framework to streamline the organizational structure, enabling faster decision-making and improved execution agility.
- **Macro Tailwinds:** Improving macroeconomic conditions and consumption sentiment are expected to act as catalysts. As a leader across staple categories, HUVR is well-placed to capture incremental demand.
- **Volume-Led Recovery:** Management commentary indicates optimism for stronger performance in the coming quarters, with volume growth expected to drive earnings acceleration.
- **Financial Profile:** Strong return ratios, stable 23–24% EBITDA margins, and improving RoCE trajectory support sustained earnings compounding.
- **Valuation & Recommendation:** We assign **BUY** rating with a Target Price of ₹2,710

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