

BUY**TP: Rs 2,901 | ▲ 15%****HINDUSTAN UNILEVER**

Consumer Staples

01 August 2025

Looking for leverage in 2HFY26

- Compared to consensus, sales 3% higher and EBITDA 2% higher. Lower YoY spending helped results
- Our sequential margin recovery is moved ahead from 3QFY26 to 4QFY26 as reinvestments are coming in later vs expectations
- High growth segments in B&W carry a sales run rate of 25% and will be a key driver of sales and mix improvement. **BUY**

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1QFY26 result summary: HUVR reported 1QFY26 underlying sales +5% YoY with EBITDA -1% as margins contracted 130bps to 22.5%. Gross margins declined 190bps YoY. Sales were 3% above consensus and 2% above vs our estimates, while EBITDA was 3% above consensus and 4% above our estimate. Gross margin deterioration of 190bps YoY was higher vs our estimates but lower spending resulted in higher than anticipated EBITDA margins. Demand trends continue to improve in rural with urban consumption also showing initial signs of a recovery.

Demand trends improving: Consolidated Underlying Volume Growth (UVG) of 4% (4Q at +2%) was driven by HomeCare (HSD UVG) on deflation driven lower pricing. B&W UVG was +LSD with USG +7%. Excluding Glow & Lovely, USG was +DD. Food segment USG +5%, driven by volumes.

FY26 outlook: HUVR expects continued growth in e-commerce, quick commerce, and digital-first brands with B&W and Food segments driving 2H. Continued improvement in rural, along with some improvement in urban will help volume growth. Commodity Inflation will require LSD pricing in the remainder of FY26.

Our view: We expect operating leverage in 2HFY26 but shift sequential recovery in margins from 3QFY26 to 4QFY26. Longer term, HUVR stands to benefit from the combination of its rural exposure, to tap into the rising the consumption in value segment; and focus on premiumisation, to capture a greater share of the fast growth affluent, and affluent plus consumer segments. We value the company in line with its 5-year historical 1 year forward average P/E of 53x on 12m to Jun 2027 EPS. Our TP changes to Rs 2,901 from Rs 2,859. Share price return of 15% – **BUY**.

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY	BoB	Cons.
Sales	157,070	165,140	5.1	2.0	2.7
EBITDA	37,440	37,180	(0.7)	3.9	1.8
EBITDA margin (%)	23.8	22.5	(132bps)	43bps	(21bps)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HUVR IN/Rs 2,521
Market cap	US\$ 67.6bn
Free float	38%
3M ADV	US\$ 46.3mn
52wk high/low	Rs 3,035/Rs 2,136
Promoter/FPI/DII	62%/14%/24%

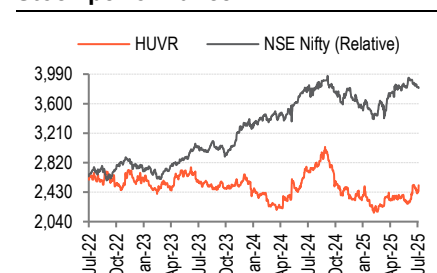
Source: NSE | Price as of 31 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	631,210	679,383	739,583
EBITDA (Rs mn)	148,510	155,070	179,650
Adj. net profit (Rs mn)	103,440	110,148	125,007
Adj. EPS (Rs)	44.0	46.9	53.2
Consensus EPS (Rs)	44.0	46.0	51.1
Adj. ROAE (%)	20.5	22.2	25.1
Adj. P/E (x)	57.3	53.8	47.4
EV/EBITDA (x)	39.8	38.0	32.6
Adj. EPS growth (%)	0.7	6.5	13.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result review

Earnings revisions

Our sales growth forecasts are higher by ~1% across FY26-FY28. This is mainly driven by improved volume growth. We also increase sales growth in the B&W where sales performance of high growth businesses at 25% run rate is higher vs our earlier expectations. Our margins are lower in FY26 but higher in FY27 and FY28. This reflects a shift in operating leverage from 3QFY26 to 4QFY26 as spending levels will likely rise in subsequent quarters. We were expecting higher spendings in 1Q and 2Q.

Fig 1 – Hindustan Unilever earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	631,210	679,383	676,520	0.4	739,583	729,709	1.4	792,882	782,924	1.3
EBITDA	148,510	155,070	157,656	(1.6)	179,650	172,194	4.3	193,945	185,494	4.6
EBITDA Margin (%)	23.5	22.8	23.3	(48bps)	24.3	23.6	69bps	24.5	23.7	77bps
Adj. PAT	103,440	110,148	108,785	1.3	125,007	119,341	4.7	135,394	128,866	5.1
Adj. EPS	44.02	46.87	46.29	1.3	53.19	50.78	4.7	57.61	54.84	5.1

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Volume growth continued to improve, with Beauty & Wellbeing also contributing besides Homecare. Minimalist, and other high growth businesses accounting for ~20% of B&W sales, are growing at 25% sales growth run rate. Gross margins remained pressured on inflation but will improve sequentially with pricing, slower inflation, mix and efficiencies. This improvement will however be reinvested to drive volume growth. We expect some leverage in 2HFY26 but overall recovery in margins is shifted forward. Longer term, HUVR stands to benefit from the combination of its rural exposure, to tap into the rising the consumption in value segment; and focus on premiumisation, to capture a greater share of the fast growth affluent, and affluent plus consumer segments.

We value HUVR in line with its 5-year historical 1 year forward average P/E of 53x on 12m to Jun 2027 EPS. Our TP changes slightly to Rs 2,901 from Rs 2,859. Share price return of 15% – BUY.

Key risks

Key downside risks to our estimates are:

- stress in underlying volume growth
- slower-than-anticipated rural and urban recovery
- sustained food inflation

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	618,960	631,210	679,383	739,583	792,882
EBITDA	146,630	148,510	155,070	179,650	193,945
Depreciation	12,160	13,550	14,031	14,339	14,962
EBIT	134,470	134,960	141,038	165,311	178,983
Net interest inc./(exp.)	(3,340)	(3,950)	(4,360)	(4,120)	(4,120)
Other inc./(exp.)	8,110	10,170	6,322	5,912	6,089
Exceptional items	(60)	(3,050)	1,270	0	0
EBT	139,240	141,180	143,000	167,103	180,952
Income taxes	36,440	37,440	32,523	41,776	45,238
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	10	140	310	320	320
Reported net profit	102,770	106,490	108,878	125,007	135,394
Adjustments	(60)	(3,050)	1,270	0	0
Adjusted net profit	102,710	103,440	110,148	125,007	135,394

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	104,860	113,150	123,643	132,253	140,684
Other current liabilities	23,770	52,210	52,210	52,210	52,210
Provisions	81,330	82,130	82,130	82,130	82,130
Debt funds	130	10	10	10	10
Other liabilities	60,670	55,210	55,210	55,210	55,210
Equity capital	2,350	2,350	2,350	2,350	2,350
Reserves & surplus	511,880	493,740	492,145	498,241	502,255
Shareholders' fund	514,230	496,090	494,495	500,591	504,605
Total liab. and equities	784,990	798,800	807,698	822,404	834,849
Cash and cash eq.	8,250	60,710	60,178	64,309	66,104
Accounts receivables	29,970	38,190	41,019	44,337	47,297
Inventories	40,220	44,150	47,797	50,904	53,734
Other current assets	134,800	77,460	77,460	77,460	77,460
Investments	650	570	570	570	570
Net fixed assets	90,560	96,340	99,293	103,444	108,304
CWIP	0	0	0	0	0
Intangible assets	457,130	457,100	457,100	457,100	457,100
Deferred tax assets, net	0	0	0	0	0
Other assets	23,410	24,280	24,280	24,280	24,280
Total assets	784,990	798,800	807,698	822,404	834,849

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	154,690	118,860	127,050	141,690	153,038
Capital expenditures	(14,680)	(12,540)	(16,985)	(18,490)	(19,822)
Change in investments	(43,040)	68,790	0	0	0
Other investing cash flows	4,480	8,480	4,235	3,961	4,079
Cash flow from investing	(53,240)	64,730	(12,749)	(14,529)	(15,743)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(850)	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(94,160)	(124,730)	(110,473)	(118,911)	(131,380)
Other financing cash flows	(5,330)	(6,280)	(4,360)	(4,120)	(4,120)
Cash flow from financing	(100,340)	(131,010)	(114,833)	(123,031)	(135,500)
Chg in cash & cash eq.	1,110	52,700	(532)	4,131	1,795
Closing cash & cash eq.	8,250	60,710	60,178	64,309	66,104

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	43.7	45.3	46.3	53.2	57.6
Adjusted EPS	43.7	44.0	46.9	53.2	57.6
Dividend per share	42.0	53.0	46.1	53.3	57.8
Book value per share	218.8	211.1	210.4	213.0	214.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	9.6	9.4	8.7	7.9	7.4
EV/EBITDA	40.3	39.8	38.0	32.6	30.2
Adjusted P/E	57.7	57.3	53.8	47.4	43.8
P/BV	11.5	11.9	12.0	11.8	11.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.8	73.3	77.0	74.8	74.8
Interest burden (PBT/EBIT)	103.5	104.6	101.4	101.1	101.1
EBIT margin (EBIT/Revenue)	21.7	21.4	20.8	22.4	22.6
Asset turnover (Rev./Avg TA)	81.7	79.7	84.6	90.7	95.7
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.6	1.6	1.6
Adjusted ROAE	20.2	20.5	22.2	25.1	26.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.2	2.0	7.6	8.9	7.2
EBITDA	3.6	1.3	4.4	15.9	8.0
Adjusted EPS	0.8	0.7	6.5	13.5	8.3
Profitability & Return ratios (%)					
EBITDA margin	23.7	23.5	22.8	24.3	24.5
EBIT margin	21.7	21.4	20.8	22.4	22.6
Adjusted profit margin	16.6	16.4	16.2	16.9	17.1
Adjusted ROAE	20.2	20.5	22.2	25.1	26.9
ROCE	20.5	21.3	22.3	25.9	27.9

Working capital days (days)

Receivables	18	20	21	21	21
Inventory	51	50	51	51	51
Payables	123	130	130	133	134

Ratios (x)

Gross asset turnover	4.6	4.1	4.0	3.9	3.8
Current ratio	1.7	1.3	1.3	1.3	1.3
Net interest coverage ratio	40.3	34.2	32.3	40.1	43.4
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

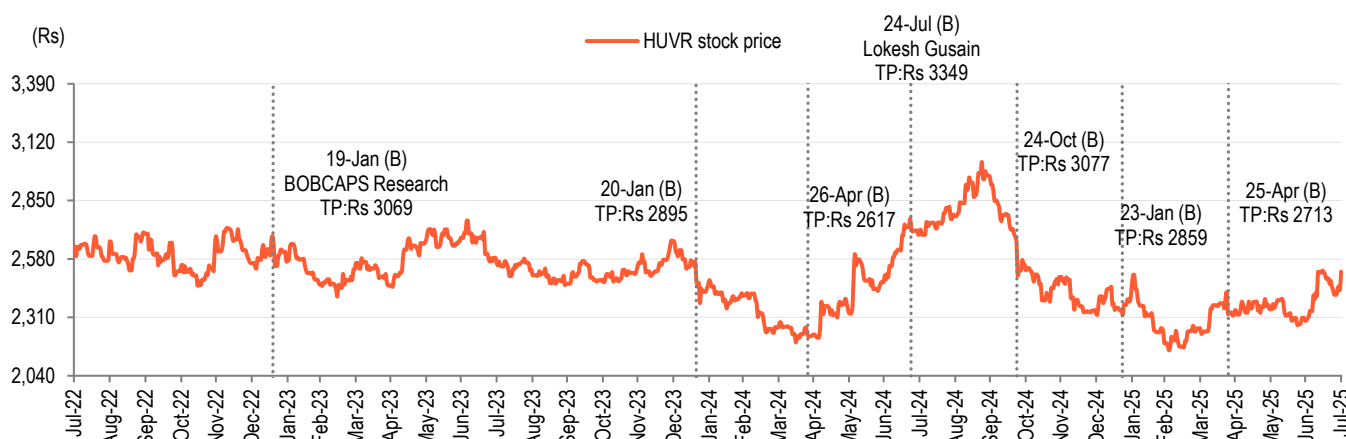
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HINDUSTAN UNILEVER (HUVR IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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