


GST Transition led to Short-Term Impact; Maintain HOLD
Est. Vs. Actual for Q2FY26: Revenue – **MISS** ; EBITDA – **BEAT** ; PAT – **MISS**
Changes in Estimates post Q2FY26
FY26E/FY27E: Revenue: 0%/0%; EBITDA: 0%/0%; PAT: 0%/0%

Recommendation Rationale

- **Soft Quarter:** HUL reported a muted performance with sales up 0.6% YoY and flat underlying volumes. Growth during the quarter was primarily price-led, supported by residual pricing benefits in categories such as skin cleansing, beverages, and skincare. Management attributed the subdued performance to temporary market disruptions caused by the transition to new pricing structures.
- **Margins Outlook:** EBITDA margins contracted 66bps YoY to 22.9%, impacted by a 59bps decline in gross margins. However, management remains confident of sequential improvement, supported by a favourable price–cost equation, better product mix, and ongoing net productivity initiatives. Management further reiterates margin guidance to remain at 22–23%, with continued focus on volume-led growth and premiumisation.
- **Growth Outlook and GST Impact:** Management remains optimistic about the recent GST reforms, which now benefit nearly 40% of the portfolio falling under the 5% slab, thereby improving affordability and boosting consumer sentiment. The company swiftly passed on the tax benefits across 1,200+ SKUs and extended support to trade partners to ensure a smooth transition. Normal trading conditions are expected to resume by early November. With sustained focus on brand rejuvenation, digital enablement, and high-growth categories, management expects a gradual demand recovery and a stronger performance in H2FY26. Additionally, it anticipates price growth to remain in the low single digits if commodity prices stay at current levels.

Sector Outlook: Cautiously Positive

Company Outlook & Guidance: Management expects a gradual recovery in the coming quarters, aided by recent GST rate reductions, which could act as a catalyst for demand recovery in the long term. However, we remain cautious in the short term and prefer to adopt a wait-and-watch approach and therefore maintain our HOLD rating on the stock.

Current Valuation: 52xMar'28 EPS (Earlier Valuation: 52xMar'27 EPS).

Current TP: Rs 2,750/share (Earlier TP: Rs 2,690/share).

Recommendation: With a 6% upside from the CMP, we maintain our HOLD rating on the stock.

Financial Performance: Hindustan Unilever Ltd. (HUL) reported muted performance in Q2FY26, with flat volume growth and revenue increasing marginally by 0.6% YoY to Rs 15,418 Cr, driven by residual pricing benefits in skin cleansing, beverages, and skincare categories. Gross margin contracted by 59 bps YoY to 49.8%, impacted by higher commodity costs, particularly palm oil. EBITDA declined by 2.3% YoY to Rs 3,563 Cr, with margins compressing by 66 bps YoY to 22.9%. Reported PAT grew 3% YoY to Rs 2,690 Cr, while Adj PAT (before exceptional items) declined 5% YoY to Rs 2,478 Cr.

Key Financials (Standalone)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	15,418	(2.1)	0.6	15,627	(1.3)
EBITDA	3,563	0.1	(2.3)	3,506	1.6
EBITDA Margin (%)	22.9	53 bps	-66 bps	22.2	69 bps
Net Profit	2,478	(0.5)	(5.1)	2,511	(1.3)
EPS (Rs)	11	(1.5)	3.0	11	7.1

Source: Company, Axis Research

(CMP as of 23rd Oct, 2025)

CMP (Rs)	2,600
Upside /Downside (%)	6%
High/Low (Rs)	2779/2136
Market cap (Cr)	6,11,069
Avg. daily vol. (6m) Shrs'000.	1782
No. of shares (Cr)	234

Shareholding (%)

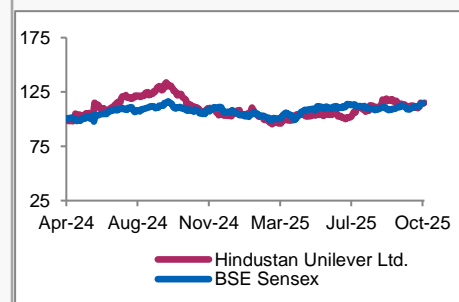
	Mar-25	Jun-25	Sep-25
Promoter	61.9	61.9	61.9
FIIs	11.4	10.6	10.2
MFs/UTI	6.1	6.4	6.6
Banks/FIs	0.0	0.1	0.1
Others	20.6	21.0	21.3

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	65,000	69,963	75,305
EBITDA	15,491	16,927	18,482
Net Profit	11,078	12,119	13,253
EPS, Rs	47.1	51.6	56.4
PER, x	50.7	46.4	42.4
EV/EBITDA, x	35.5	32.3	29.5
ROE (%)	22.2	23.7	25.0

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0%	0%
EBITDA	0%	0%
PAT	0%	0%

Relative Performance


Source: Ace Equity, Axis Securities

Results Gallery
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)
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Outlook

We expect near-term challenges to ease as macroeconomic conditions for the consumption sector improve. Key supportive factors include: 1) Government initiatives to reduce GST rates, which are structurally positive for boosting consumption through higher disposable income and improved consumer sentiment, 2) Normalisation of the cyclical drag from urban slowdown, high CPI inflation, and elevated RM prices, 3) Strengthening rural demand aided by a favourable monsoon, 4) Government tax incentives supporting consumption, and 5) Lower crude oil prices providing relief on the raw material front.

HUL's long-term growth outlook remains robust, supported by its continued focus on: (1) Strengthening its diversified portfolio and optimising the price-value matrix to drive premiumisation, (2) Enhancing efficiency through nanofactories, automation, and scaling up Shikhar for cost optimisation, and (3) Market development initiatives to expand share across categories. **Management expects a gradual recovery in the coming quarters, aided by GST rate reductions that could catalyze long-term demand revival. However, given short-term uncertainties, we maintain a cautious stance and reiterate our HOLD rating on the stock.**

Valuation & Recommendation

We expect HUL's Sales/EBITDA/PAT to grow at a 6%/7%/7 % CAGR over FY24-28E. **We maintain our recommendation stance to HOLD with a revised TP of Rs 2,750/share, with an upside of 6% from the CMP.**

Segmental Performance

- **Home Care:** Home Care recorded mid-single-digit underlying volume growth, offset by earlier price reductions, resulting in flat underlying sales growth. Fabric Wash saw mid-single-digit volume gains, driven by robust double-digit growth in liquids, supported by successful innovations and competitive pricing strategies. Household Care delivered strong double-digit underlying volume growth, led by dishwasher liquids. The quarter also witnessed the launch of Comfort Perfume Deluxe, a premium fabric conditioner range with a perfume-first formulation, offering an elevated and sophisticated fragrance experience for garments.
- **Beauty & Wellbeing-** The segment reported 5% underlying sales growth, led by Skin Care and Health & Wellbeing, while Hair Care further strengthened its market leadership. Overall turnover declined YoY due to the temporary impact of GST rate rationalisation. Skin Care, including Colour Cosmetics, posted high-single-digit growth, supported by strong momentum in the Future Core and Market Makers portfolios and well-timed winter stocking. Channels of the Future continued their competitive double-digit growth. Health & Wellbeing sustained robust performance, led by OZiva's triple-digit growth. Key launches during the quarter included Pond's Hydra Miracle Ultralight Biome Moisturiser, Vaseline Cloud Soft for Indian facial skin, and OZiva Phyto Ceramides + Collagen Builder, a science-backed ingestible supplement enhancing skin barrier and collagen.
- **Personal Care –** Personal Care posted flat turnover, primarily affected by the GST rate transition during the quarter. Skin Cleansing maintained a strong performance, driven by double-digit growth in premium soaps, while Bodywash further reinforced its competitive position. Oral Care saw a slight decline, whereas Closeup achieved low-single-digit growth. Premiumisation remained a strategic focus, highlighted by the relaunch of Pears with updated packaging and positioning, along with the expansion of the Lux International soap portfolio.
- **Foods -** The Foods segment recorded 3% underlying sales growth with low-single-digit volume gains. Beverages, led by Tea and Coffee, posted double-digit growth—Tea achieved high-single-digit growth supported by a mix of price and volume, while Coffee sustained strong double-digit momentum. Early signs of growth emerged in Lifestyle Nutrition through continued underlying volume gains. Overall turnover was impacted by earlier pricing actions aimed at refining pack-price structures. Packaged Foods delivered muted performance amid the GST transition, while Market Makers maintained robust growth. Ice Cream sales declined YoY due to extended monsoon periods and GST-related adjustments. Key launches during the quarter included Horlicks PRO Fitness, a science-backed meal replacement, and BRU Gold Edition, offering a premium coffee experience.

Other Concall Highlights

- **Update on De-merger of Ice Cream Business:** The ice cream segment reported a year-on-year decline, affected by prolonged monsoon conditions and the ongoing GST transition. The demerger process is currently in progress, with completion expected by December and the listing projected in Q4 FY26, pending requisite regulatory approvals.
- **Minimalist:** The Minimalist brand has delivered strong double-digit growth in Q2FY26.

Key Risks to Our Estimates and TP

- Prolonged recovery in the urban market, rural, raw material inflation, and an increase in competitive intensity

Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	65,000	69,963	65,000	69,963	0	0
EBITDA	15,491	16,927	15,491	16,927	(0)	0
PAT	11,078	12,119	11,078	12,119	(0)	(0)
EPS	47.1	51.6	47.1	51.6	0	(0)

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q2FY25	Q1FY26	Axis Sec Est	Q2FY26	YoY growth %	QoQ growth %	Axis Sec Var (%)
Net Sales	15,319	15,747	15,627	15,418	0.6	(2.1)	(1.3)
Gross Profits	7,726	7,658	7,654	7,685	(0.5)	0.4	0.4
Gross Margin (%)	50.4	48.6	49.0	49.8	-59 bps	121 bps	86 bps
Staff costs	765	657	803	677	(11.5)	3.0	(15.7)
Ad spends	1,464	1,556	1,537	1,527	4.3	(1.9)	(0.7)
Other operating expenses	2,039	2,071	1,998	2,085	2.3	0.7	4.3
EBITDA	3,647	3,558	3,506	3,563	(2.3)	0.1	1.6
EBITDA Margin (%)	23.5	22.3	22.2	22.9	-66 bps	53 bps	69 bps
Depreciation	305	324	327	324	6.2	-	(1.0)
EBIT	3,342	3,234	3,179	3,239	(3.1)	0.2	1.9
Other Income	309	247	324	228	(26.2)	(7.7)	(29.7)
Interest Expenses	99	110	111	111	12.1	0.9	0.4
PBT	3,536	3,244	3,393	3,540	0.1	9.1	4.3
Tax rate (%)	26.1	15.8	26.0	24.0	-212 bps	823 bps	-199 bps
Adj PAT	2,611	2,490	2,511	2,478	(5.1)	(0.5)	(1.3)
EPS (Rs.)	11.1	11.6	10.7	11.4	3.0	(1.5)	7.1

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net sales	60,680	65,000	69,963	75,305
Growth, %	1.8	7.1	7.6	7.6
Other operating income	789	828	870	913
Total income	61,469	65,829	70,833	76,218
Raw material expenses	(30,176)	(32,288)	(34,387)	(36,622)
Employee expenses	(2,840)	(2,977)	(3,185)	(3,408)
Other Operating Expenses	(14,164)	(15,073)	(16,334)	(17,706)
EBITDA (Core)	14,289	15,491	16,927	18,482
Growth, %	0.7	8.4	9.3	9.2
Margin, %	23.5	23.8	24.2	24.5
Depreciation	(1,224)	(1,342)	(1,447)	(1,553)
EBIT	13,065	14,149	15,480	16,929
Growth, %	(0)	8	9	9
Margin, %	22	22	22	22
Interest paid	(364)	(317)	(333)	(350)
Other Income	1,177	1,051	1,135	1,226
Non-recurring Items	422	-	-	-
Pre-tax profit	14,300	14,883	16,282	17,805
Tax provided	(3,656)	(3,805)	(4,163)	(4,552)
Profit after tax	10,644	11,078	12,119	13,253
Growth, %	0.2	8.4	9.4	9.4
Net Profit (adjusted)	10,644	11,078	12,119	13,253
Unadj. shares (Cr)	235	235	235	235
Wtdavg shares (Cr)	235	235	235	235

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Cash & bank	7,293	8,830	10,885	13,672
Marketable securities at cost	3,614	3,614	3,614	3,614
Debtors	3,450	3,696	3,978	4,282
Inventory	4,161	4,274	4,600	4,952
Other current assets	2,336	2,336	2,336	2,336
Total current assets	20,854	22,750	25,414	28,855
Investments	2	2	2	2
Gross fixed assets	58,624	59,724	60,824	61,924
Less: Depreciation	(5,717)	(7,059)	(8,506)	(10,059)
Add: Capital WIP	956	956	956	956
Net fixed assets	53,863	53,621	53,274	52,821
Non-current assets	1,464	1,464	1,464	1,464
Total assets	78,313	79,967	82,283	85,272
Current liabilities	13,405	14,235	15,189	16,215
Provisions	1,509	1,616	1,740	1,873
Total current liabilities	14,914	15,852	16,929	18,088
Non-current liabilities	14,246	14,246	14,246	14,246
Total liabilities	29,160	30,098	31,175	32,334
Paid-up capital	235	235	235	235
Reserves & surplus	48,918	49,634	50,874	52,703
Shareholders' equity	49,153	49,869	51,109	52,938
Total equity & liabilities	78,313	79,967	82,283	85,272

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Pre-tax profit	14,300	14,883	16,282	17,805
Depreciation	1,224	1,342	1,447	1,553
Chg in working capital	(441)	579	468	504
Total tax paid	(1,640)	(3,805)	(4,163)	(4,552)
Other operating activities	-	-	-	-
Cash flow from operating activities	13,443	12,998	14,035	15,310
Capital expenditure	(1,793)	(1,100)	(1,100)	(1,100)
Chg in marketable securities	896	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing activities	(902)	(1,100)	(1,100)	(1,100)
Free cash flow	12,541	11,898	12,935	14,210
Equity raised/(repaid)	6	-	-	-
Dividend (incl. tax)	(9,868)	(10,361)	(10,879)	(11,423)
Other financing activities	-	-	-	-
Cash flow from financing activities	(9,862)	(10,361)	(10,879)	(11,423)
Net change in cash	2,679	1,537	2,055	2,787
Opening cash balance	7,216	7,293	8,830	10,885
Closing cash balance	7,293	8,830	10,885	13,672

Source: Company, Axis Securities

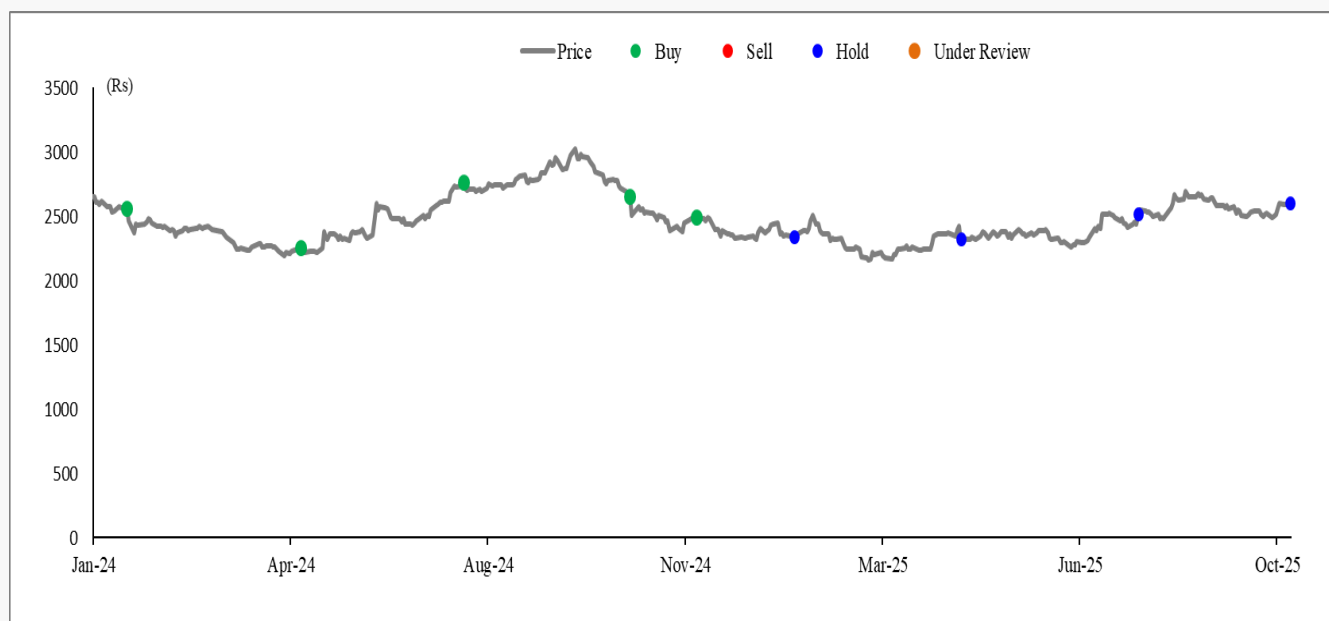
Ratio Analysis

(%)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Per Share data				
EPS (INR)	45.3	47.1	51.6	56.4
Growth, %	0.2	8.4	9.4	9.4
Book NAV/share (INR)	209.2	212.2	217.5	225.3
FDEPS (INR)	43.5	47.1	51.6	56.4
CEPS (INR)	46.9	52.8	57.7	63.0
CFPS (INR)	52.4	50.8	54.9	59.9
DPS (INR)	42.0	44.1	46.3	48.6
Return ratios				
Return on assets (%)	14.2	14.4	15.3	16.2
Return on equity (%)	20.8	22.2	23.7	25.0
Return on capital employed (%)	16.9	17.4	18.7	20.0
Turnover ratios				
Asset turnover (x)	1.3	1.4	1.6	1.7
Sales/Total assets (x)	0.8	0.8	0.9	0.9
Sales/Net FA (x)	1.1	1.2	1.3	1.4
Working capital/Sales (x)	(0.1)	(0.1)	(0.1)	(0.1)
Receivable days	20.8	20.8	20.8	20.8
Inventory days	25.0	24.0	24.0	24.0
Payable days	85.1	85.4	85.9	86.3
Working capital days	(20.8)	(22.1)	(22.3)	(22.5)
Liquidity ratios				
Current ratio (x)	1.6	1.6	1.7	1.8
Quick ratio (x)	1.2	1.3	1.4	1.5
Interest cover (x)	35.9	44.6	46.5	48.4
Valuation				
PER (x)	55.0	50.7	46.4	42.4
PEG (x) - y-o-y growth	295.2	6.1	4.9	4.5
Price/Book (x)	11.4	11.3	11.0	10.6
EV/Net sales (x)	9.1	8.5	7.8	7.2
EV/EBITDA (x)	38.6	35.5	32.3	29.5
EV/EBIT (x)	42.2	38.8	35.4	32.2

Source: Company, Axis Securities

Hindustan Unilever Price Chart and Recommendation History



Date	Reco	TP	Research
20-Jan-24	BUY	2,850	Result Update
25-Apr-24	BUY	2,500	Result Update
24-Jul-24	BUY	3,030	Result Update
24-Oct-24	BUY	2,920	Result Update
02-Dec-24	BUY	2,920	Company Update
23-Jan-25	HOLD	2,520	Result Update
25-Apr-25	HOLD	2,515	Result Update
01-Aug-25	HOLD	2,690	Result Update
24-Oct-25	HOLD	2,750	Result Update

Source: Axis Securities Research

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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