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India | Equity Research | Company Update

Hindustan Unilever

Consumer Staples & Discretionary

Gaining ground in an inflationary regime—reiterate BUY

As early signs of commodity inflation return to the FMCG basket, we believe HUL is structurally better positioned to navigate the cycle. Historically, inflationary environments allow large players to flex their pricing power, driving positive price-led growth. Though this could weigh on near-term margins, given the lag between commodity inflation and price hikes, we believe HUL has levers to drive operating leverage primarily through tactical rationalisation of ad spends. Furthermore, inflationary pressures disproportionately squeeze the unit economics of smaller, regional players, paving the way for large companies like HUL to capture incremental volume share. We believe the key monitorables include the underlying consumer volume trajectory and the elasticity of demand as these price hikes are absorbed at retail level. Reiterate **BUY**.

Inflation's return and historical precedents

Inflation is making a comeback across key commodities, especially in crude derivatives. Historically, HUL has demonstrated agility during inflationary upcycles (refer Exhibit 2). HUL's brand strength allows it to pass on costs more efficiently vs. peers through calibrated price intervention and grammage adjustment. Typically, in such cycles, the narrative shifts from volume-led growth to pricing-led value growth, which HUL has historically executed without diluting its brand equity.

Pricing growth returns, but near-term margins may soften

With the return of inflation, we expect pricing growth to turn decisively positive in the coming quarters. However, because price hikes are typically staggered to avoid sudden consumer shocks, there is an inevitable lag. Consequently, we model for a mild, near-term decline in margins as the raw material basket outpaces immediate realisation improvements through strategic interventions.

Margin protection via price hikes and A&P cuts

Our thesis rests on HUL's ability to better defend its margins vs. peers after an initial dent. We expect price hikes and grammage reductions to gradually improve realisations, supporting gross margin, while there is also operating leverage to be extracted between gross profit and operating profit. Historically, during an inflationary regime, the company cuts discretionary overheads like ad-spends (refer Exhibit 2). Because the entire industry is forced to pull back on media intensity (refer Exhibit 4) during these periods to protect profitability, HUL can reduce its absolute ad spends without losing its competitive share of voice, thereby largely shielding its EBITDA margins.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	614,690	655,066	738,793	826,125
EBITDA	142,890	150,409	168,651	195,042
EBITDA Margin (%)	23.2	23.0	22.8	23.6
Net Profit	102,220	107,671	116,231	134,866
EPS (Rs)	43.5	45.8	49.5	57.4
EPS % Chg YoY	0.2	5.3	8.0	16.0
P/E (x)	51.5	48.9	45.3	39.0
EV/EBITDA (x)	36.0	34.3	30.7	26.5
RoCE (%)	19.2	22.0	24.7	29.4
RoE (%)	20.4	22.3	25.0	29.6

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Market Data

Market Cap (INR)	5,265bn
Market Cap (USD)	56,681mn
Bloomberg Code	HUVR IN
Reuters Code	HLL.BO
52-week Range (INR)	2,737 / 2,023
Free Float (%)	38.0
ADTV-3M (mn) (USD)	46.8

Price Performance (%)	3m	6m	12m
Absolute	(5.1)	(12.6)	(4.2)
Relative to Sensex	1.0	(6.1)	(4.1)

ESG Score	2024	2025	Change
ESG score	72.0	77.2	5.2
Environment	57.3	65.4	8.1
Social	69.8	75.7	5.9
Governance	85.0	87.5	2.5

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
Revenue	1.3	0.5
EBITDA	0.2	1.2
EPS	(0.3)	1.2

Previous Reports

12-02-2026: [Q3FY26 results review](#)

17-01-2026: [Company Update](#)

Consolidation and the 'regional squeeze'

Inflationary cycles act as a stress test for smaller, unorganised and regional players that lack HUL's robust supply chain and working capital efficiencies. As input costs rise, these smaller competitors struggle to maintain their historical price discounts and face severe margin erosion. This dynamic creates a highly favourable environment for large companies like HUL to accelerate market share gains, absorbing volumes from these under-capitalised players that are forced to retreat or raise prices aggressively.

The key monitorable: Consumer volume iteration

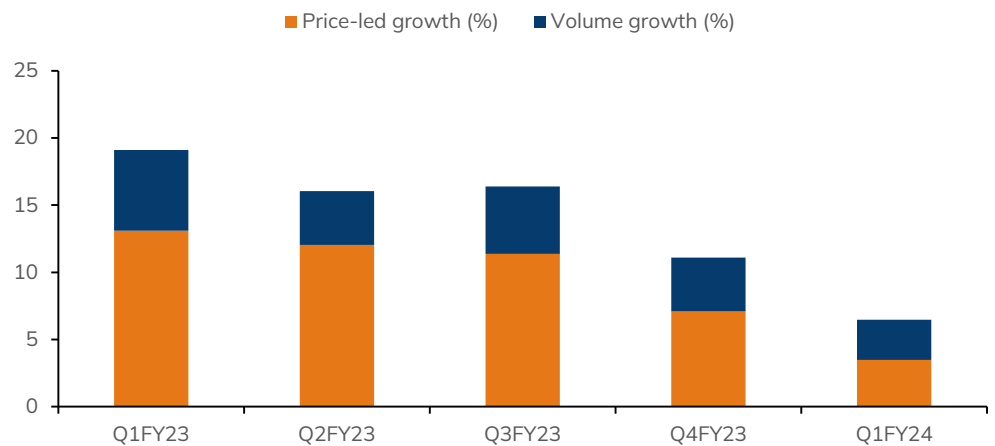
While the pricing and margin defence mechanics are well-established, the crucial variable remains the consumer's threshold for inflation. We need to closely track the iteration of underlying volumes over the next 2–3 quarters. The primary risk is downtrading—whether rural and mass-premium consumers will absorb the price hikes or shift to inferior proxy categories. Continued resilience in volume growth could be the ultimate validation of HUL's pricing power and brand stickiness.

Valuation and risks

We adjust our EPS estimates by -0.3%/1.2% for FY27/28E, modelling revenue/EBITDA/PAT CAGR of 10%/11%/10%, respectively, over FY25–28E. We maintain **BUY** with a DCF-based revised target price of **INR 2,800** (INR 2,700 earlier). At our target price, HUL trades at a P/E of 49x on Mar'28E EPS.

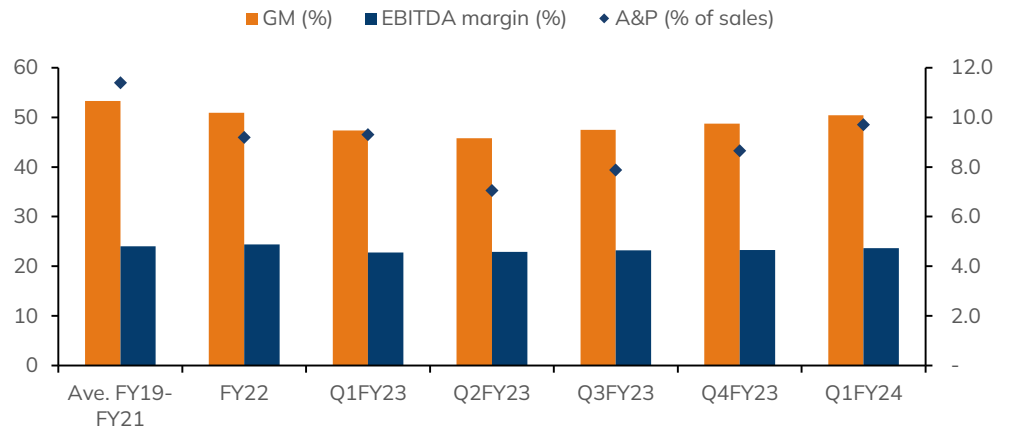
Key downside risks: Demand sluggishness and irrational competition.

Exhibit 1: HUL's volume-price growth trajectory during FY22-23 commodity inflation



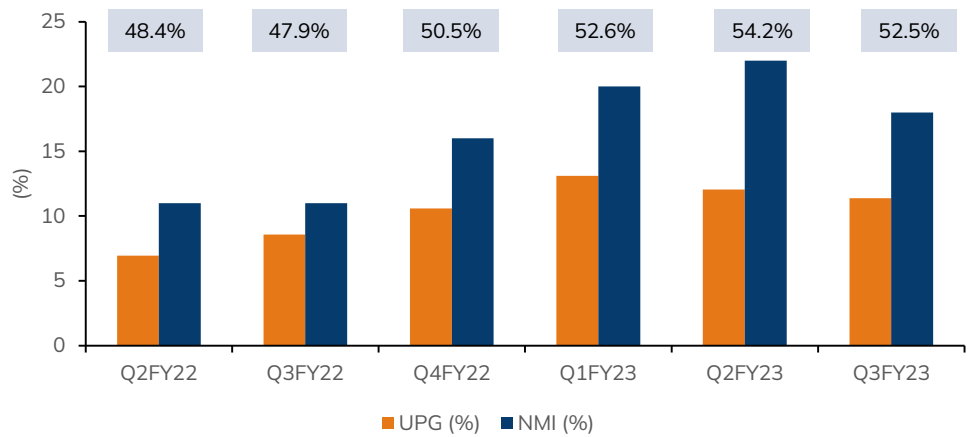
Source: I-Sec research, Company data

Exhibit 2: HUL's margin delivery during FY22-23 inflationary phase; A&P spends were rationalised



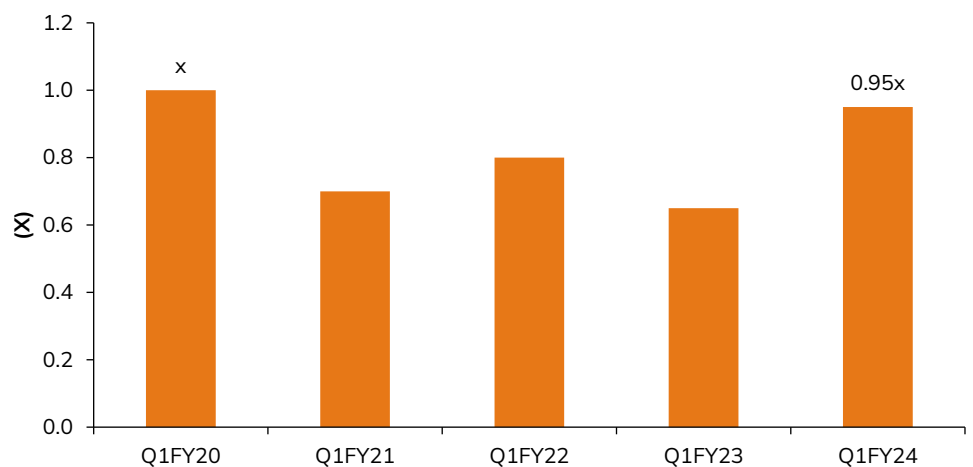
Source: I-Sec research, Company data

Exhibit 3: Underlying price growth (UPG) and net material inflation (NMI) during FY22-23 inflationary cycle



Source: I-Sec research, Company data. Note: Numbers at the top are COGS as % of sales.

Exhibit 4: Media intensity in FMCG market during and after the inflationary cycle



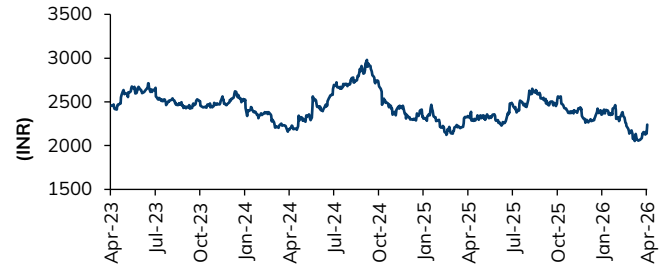
Source: I-Sec research, Company data

Exhibit 5: Shareholding pattern

%	Sep'25	Dec'25	Mar'26
Promoters	61.9	61.9	61.9
Institutional investors	26.4	26.4	26.4
MFs and others	6.4	6.3	6.6
Banks, FI's, Insurance co	9.2	9.4	9.7
FII's	10.8	10.7	10.1
Others	11.7	11.7	11.7

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	614,690	655,066	738,793	826,125
Operating Expenses	471,800	504,657	570,142	631,083
EBITDA	142,890	150,409	168,651	195,042
EBITDA Margin (%)	23.2	23.0	22.8	23.6
Depreciation & Amortization	12,240	13,747	14,938	16,257
EBIT	130,650	136,662	153,713	178,785
Interest expenditure	3,640	4,004	4,520	5,058
Other Non-operating Income	11,770	6,273	6,196	6,575
Recurring PBT	138,780	138,930	155,389	180,302
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	36,560	31,259	39,158	45,436
PAT	102,220	107,671	116,231	134,866
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	4,220	-	-	-
Net Income (Reported)	106,440	107,671	116,231	134,866
Net Income (Adjusted)	102,220	107,671	116,231	134,866

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	208,990	190,099	187,420	204,629
of which cash & cash eqv.	109,070	93,236	78,577	83,311
Total Current Liabilities & Provisions	152,920	155,581	168,510	189,392
Net Current Assets	56,070	34,518	18,910	15,238
Investments	9,880	9,880	9,880	9,880
Net Fixed Assets	61,270	67,175	73,662	80,536
ROU Assets	15,830	15,830	15,830	15,830
Capital Work-in-Progress	9,560	9,560	9,560	9,560
Total Intangible Assets	451,970	451,970	451,970	451,970
Long Term Loans & Advances	25,630	27,319	30,838	34,508
Deferred Tax assets	-	-	-	-
Total Assets	630,210	616,251	610,650	617,522
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	65,830	65,830	65,830	65,830
Provisions	15,090	16,084	18,156	20,317
Other Liabilities	57,760	61,566	69,496	77,768
Equity Share Capital	2,350	2,350	2,350	2,350
Reserves & Surplus	489,180	470,421	454,817	451,257
Total Net Worth	491,530	472,771	457,167	453,607
Minority Interest	-	-	-	-
Total Liabilities	630,210	616,251	610,650	617,522

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Mar 25	Jun 25	Sep 25	Dec 25
Net Sales	156,700	165,140	159,190	164,410
% growth (YOY)	3	5	0	6
EBITDA	36,190	37,180	37,850	37,880
Margin %	23.1	22.5	23.8	23.0
Other Income	3,090	2,010	1,470	1,390
Extraordinaries	(1,390)	(1,280)	1,820	(1,390)
Adjusted Net Profit	26,140	28,960	25,120	27,010

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	116,060	127,979	136,926	164,774
Working Capital Changes	(5,540)	8,829	7,433	15,169
Capital Commitments	11,280	19,652	21,425	23,132
Free Cashflow	104,780	108,327	115,501	141,643
Other investing cashflow	78,910	6,273	6,196	6,575
Cashflow from Investing Activities	67,630	(13,379)	(15,229)	(16,557)
Issue of Share Capital	-	-	-	-
Interest Cost	(5,780)	(4,004)	(4,520)	(5,058)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(124,530)	(126,430)	(131,835)	(138,427)
Others	-	-	-	-
Cash flow from Financing Activities	(130,310)	(130,434)	(136,355)	(143,485)
Chg. in Cash & Bank balance	53,380	(15,834)	(14,658)	4,733
Closing cash & balance	59,470	43,636	28,977	33,711

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	43.5	45.8	49.5	57.4
Adjusted EPS (Diluted)	43.5	45.8	49.5	57.4
Cash EPS	48.7	51.7	55.8	64.3
Dividend per share (DPS)	53.0	55.0	57.8	60.6
Book Value per share (BV)	209.2	201.2	194.5	193.0
Dividend Payout (%)	121.8	120.0	116.8	105.7
Growth (%)				
Net Sales	1.8	6.6	12.9	11.9
EBITDA	0.7	5.3	12.1	15.6
EPS (INR)	0.2	5.3	8.0	16.0
Valuation Ratios (x)				
P/E	51.5	48.9	45.3	39.0
P/CEPS	46.0	43.4	40.1	34.8
P/BV	10.7	11.1	11.5	11.6
EV / EBITDA	36.0	34.3	30.7	26.5
P / Sales	8.7	8.1	7.2	6.4
Dividend Yield (%)	2.4	2.5	2.6	2.7
Operating Ratios				
Gross Profit Margins (%)	50.9	51.1	50.6	51.0
EBITDA Margins (%)	23.2	23.0	22.8	23.6
Effective Tax Rate (%)	26.3	22.5	25.2	25.2
Net Profit Margins (%)	16.6	16.4	15.7	16.3
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(0.8)	(0.7)	(0.5)	(0.5)
Fixed Asset Turnover (x)	5.9	5.6	5.3	5.1
Working Capital Days	(32)	(34)	(31)	(32)
Inventory Turnover Days	25	26	27	27
Receivables Days	21	16	17	17
Payables Days	67	64	64	65
Profitability Ratios				
RoCE (%)	19.2	22.0	24.7	29.4
RoE (%)	20.4	22.3	25.0	29.6
RoIC (%)	25.5	28.5	31.1	36.7

Source Company data, I-Sec research

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