

HINDUSTAN UNILEVER

NUVAMA FLASH



KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	2,404
12 month price target (INR)	3,200
52 Week High/Low	2,780/2,136
Market cap (INR bn/USD bn)	5,648/63.7
Free float (%)	38.1
Avg. daily value traded (INR mn)	4,260.0

SHAREHOLDING PATTERN

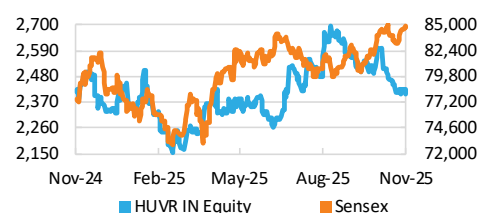
	Sep-25	Jun-25	Mar-25
Promoter	61.9%	61.9%	61.9%
FII	10.79%	10.18%	10.62%
DII	15.62%	15.99%	15.48%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	6,31,210	6,72,042	7,26,225	7,87,453
EBITDA	1,48,510	1,54,005	1,76,776	1,90,061
Adjusted profit	1,06,490	1,10,188	1,25,153	1,35,985
Diluted EPS (INR)	45.3	46.9	53.3	57.9
EPS growth (%)	3.6	3.5	13.6	8.7
RoAE (%)	20.6	22.1	24.6	26.1
P/E (x)	58.4	56.4	49.7	45.7
EV/EBITDA (x)	40.4	39.0	33.9	31.5
Dividend yield (%)	1.6	1.6	1.8	2.0

PRICE PERFORMANCE



HUL to demerge ice cream business

HUL has set December 5, 2025 as the record date for the demerger of its ice-cream business. Given mirror image shareholding at 1:1 ratio—each HUL shareholder shall receive one ice cream company (KWIL) share for every HUL share. Ice cream business contributes ~3% to its total turnover with historical 5–9% EBIT margins. In our view, past few quarter's margins—in mid-single digits—were hit by adverse weather.

HUL trades at ~9x EV/sales and in our view the ice cream business could get a lower multiple as its margins and scale are lower. This implies ice cream business is ~INR50–55 of HUL's CMP (~INR2,400). KWIL's market cap is likely to be ~INR12–15bn. We reckon HUL's EBITDA margin shall improve 50–60bp post-demerger; retain 'BUY'.

Pure-play ice cream business likely to list in February

The demerger shall give existing investors direct ownership in a pure-play ice cream business with ~INR20bn in revenue, a strong 15–20% CAGR potential and a portfolio of iconic brands such as Magnum, Cornetto and Kwality Walls. The segment has historically delivered healthy EBIT margins of 5–9%.

Demerger of ice cream business shall create a leading listed ice cream firm in India, which would have a focused management with greater flexibility to deploy strategies suited to its distinctive business model and market dynamics, thus realising its full potential. Moreover, the business shall continue to be equipped with the portfolio, brand and innovation expertise of the largest global ice cream business, The Magnum Ice Cream Company, enabling it to keep winning in the marketplace.

Indian ice-cream industry: high growth potential

The Indian ice-cream market is likely to grow at a strong ~15% CAGR (2024–31), supported by better cold-chain infrastructure and rapidly evolving consumer preferences. **This momentum is likely to strengthen further following the GST reduction on ice cream from 18% to 5%, which shall provide an additional boost to category growth.** This tax cut could accelerate the shift from unorganised to organised players in the market besides driving affordability.

HUL indicated in its Q2FY26 earnings call that the new entity is likely to list in Q4FY26. Q3FY26 onwards results shall exclude the ice cream business, which will be reported as a discontinued operation.

Risk-reward favourable in HUL

We estimate a decent Q4 for HUL with slightly muted Q3 at this stage. We reckon HUL's EBITDA margin shall improve 50–60bp post-demerger. The HUL stock has corrected by ~9% post muted Q2 earnings, primarily due to GST transition. Even October would log a muted performance due to transition issues with normalcy returning in November. **Overall, risk-reward looks attractive to play the Q4 recovery** as it currently trades at ~45x FY27E EPS. We value the stock at 60x FY27E EPS, yielding an unchanged TP of INR3,195; maintain 'BUY'.

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