# HINDUSTAN UNILEVER LIMITED (HUL)

## Group Details →


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# Company Brief Description: Hindustan Unilever Limited (HUL)

## 1. Company Profile

**Name:** Hindustan Unilever Limited (HUL)
**Headquarters:** Mumbai, Maharashtra, India
**Founded:** 1933 (as Hindustan Vanaspati Manufacturing Co.)
**Industry:** Fast-Moving Consumer Goods (FMCG)
**Parent Company:** Unilever PLC (61.9% ownership)
**Website:** [www.hul.co.in](http://www.hul.co.in)

Hindustan Unilever Limited is India's largest FMCG company, with a legacy spanning over 90 years. It operates in over 20 consumer categories, including foods, beverages, cleaning agents, personal care, and health & wellness products. HUL's extensive portfolio includes iconic brands such as Dove, Surf Excel, Knorr, Lipton, and Horlicks, serving over 700 million consumers across the country.

## 2. Business Segments

HUL's operations are divided into the following key segments:

- **Home Care:** Brands like Surf Excel, Rin, and Domex.
- **Beauty & Personal Care:** Products under Dove, Lux, and TRESemmé.
- **Foods & Refreshment:** Includes Knorr, Lipton, and Kwality Wall’s.
- **Health & Wellness:** Brands such as Horlicks and Boost.

## 3. Leadership

HUL's leadership team comprises:

- **Nitin Paranjpe:** Non-Executive Chairman
- **Rohit Jawa:** Managing Director & CEO
- **Ritesh Tiwari:** Executive Director & CFO
- **Ashu Suyash:** Independent Director
- **Leo Puri:** Independent Director
- **Ranjay Gulati:** Independent Director
- **Neelam Dhawan:** Independent Director

## 4. Nature of Buisness

Hindustan Unilever Limited (HUL) is a leading Fast-Moving Consumer Goods (FMCG) company in India that manufactures, markets, and distributes a wide range of products used in everyday life. Its business focuses on delivering consumer-centric solutions that meet the needs of millions of households across India.

Key Aspects of HUL's Nature of Business

1. Product Portfolio
    - HUL operates across four major categories:
        1. Home Care: Laundry detergents, dishwashing products, household cleaners (e.g., Surf Excel, Rin, Domex).
        2. Beauty & Personal Care: Skincare, haircare, deodorants, and personal hygiene products (e.g., Dove, Lux, Lifebuoy, TRESemmé).
        3. Foods & Refreshments: Tea, coffee, health drinks, and ice creams (e.g., Knorr, Lipton, Kwality Wall's, Horlicks).
        4. Health & Wellness: Nutritional supplements and fortified foods (e.g., Horlicks, Boost).
2. Distribution & Reach
    - HUL has one of the largest distribution networks in India, reaching over 8 million retail outlets.
    - Products are sold through modern retail, traditional trade, e-commerce platforms, and direct-to-consumer models.
3. Revenue Model
   Revenue is primarily generated from product sales, supplemented by occasional licensing, exports, and partnerships.

# STANDALONE BALANCE SHEET - Common Size

1. Assets

| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| Non Current Assets | | | | | |
| PPE | 9.845 | 9.312 | 8.616 | 8.335 | 8.895 |
| CWIP | 1.22 | 1.187 | 1.42 | 1.291 | 1.083 |
| Goodwill | 22.11 | 22.466 | 24.108 | 24.83 | 25.296 |
| Others* | 35.602 | 36.178 | 38.844 | 40.014 | 40.621 |
| Financial Assets | | | | | |
| Investements* | 1.25 | 1.27 | 1.365 | 0.874 | 0 |
| Investements | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| Loans | 0.423 | 0.508 | 0.471 | 0.775 | 0.03 |
| Others FA | 0.95 | 0.926 | 0.995 | 1.032 | 0.897 |
| | | | | | |
| NC tax Assets | 1.46 | 1.45 | 1.552 | 1.587 | 1.836 |
| Other NC Asset | 0.437 | 0.361 | 0.026 | 0.25 | 0.318 |
| | | | | | |
| Total-NC Asset | 73.313 | 73.667 | 77.655 | 78.996 | 79.322 |
| | | | | | |
| | | | | | |
| Current Assets | | | | | |
| | | | | | |
| Inventories | 5.313 | 4.945 | 5.612 | 5.578 | 5.205 |
| | | | | | |
| Financial Assest | | | | | |
| Investments | 4.614 | 5.851 | 3.913 | 5.033 | 3.937 |
| Trade Receivabl | 4.4 | 3.49 | 3.807 | 2.77 | 2.556 |
| Cash and Eqv. | 7.59 | 0.79 | 0.815 | 1.416 | 2.678 |
| Bank Balances | 1.718 | 8.572 | 5.34 | 3.771 | 3.823 |
| Loans | 0.057 | 0.048 | 0.048 | 0.048 | 0 |
| Other FA | 1.875 | 1.837 | 1.936 | 1.534 | 1.727 |
| | | | | | |
| other CA | 1.077 | 0.782 | 0.852 | 0.831 | 0.722 |
| Assest Held for s | 0.029 | 0.015 | 0.016 | 0.018 | 0.024 |
| | | | | | |
| Total - CA | 26.686 | 26.332 | 22.344 | 21.003 | 20.678 |
| | | | | | |
| TOTAL ASSET | 100 | 100 | 100 | 100 | 100 |

Abbreviations →

1. PPE - Property , plant and equipment
2. Cwip - Capital work-in-progress

3. Investements* - Investments in subsidiaries and joint ventures
4. FA - Financial Assets
5. NC - Non current
6. CA - Current assets\

2 Liabilities

| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| Equity | | | | | |
| Share Capital | 0.3 | 0.304 | 0.327 | 0.336 | 0.341 |
| Other Equity | 62.464 | 65.828 | 69.594 | 69.582 | 68.995 |
| | | | | | |
| TOTAL | 62.764 | 66.132 | 69.921 | 69.918 | 69.365 |
| Liabilites | | | | | |
| | | | | | |
| Non Current | | | | | |
| Financial Liabilities | | | | | |
| Lease Liabilities | 1.477 | 1.341 | 1.038 | 0.983 | 0 |
| Other financial li | 0.826 | 0.557 | 0.689 | 0.471 | 1.493 |
| | | | | | |
| Provisions | 1.926 | 2.012 | 1.858 | 2.162 | 2.295 |
| NC Tax liabilities | 4.586 | 5.489 | 1.498 | 1.898 | 1.988 |
| Deffered Tax liab | 8.406 | 8.373 | 8.806 | 8.805 | 8.708 |
| | | | | | |
| TOTAL | 17.223 | 17.774 | 13.89 | 14.386 | 14.484 |
| Current | | | | | |
| Financial Liabilities | | | | | |
| Trade Liabilities | 14.043 | 13.166 | 13.074 | 12.71 | 12.801 |
| Lease Liabilities | 0.485 | 0.441 | 0.407 | 0.408 | 0 |
| Other financial li | 1.053 | 1.034 | 1.154 | 1.18 | 1.754 |
| | | | | | |
| Provisions | 0.844 | 0.426 | 0.527 | 0 | 0.737 |
| Current Tax liabi | 2.409 | 0 | 0 | 0 | 0 |
| Other Current lia | 1.176 | 1.023 | 1.023 | 0.914 | 0.084 |
| | | | | | |
| TOTAL | 20.012 | 16.091 | 16.187 | 15.693 | 15.376 |
| TOTAL ASSET | 100 | 100 | 100 | 100 | 100 |

# STANDALONE INCOME STATEMENT - Common Size

| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
|---|---|---|---|---|---|
| | | | | | |
| INCOME | | | | | |
| Operating reven | 98.121 | 98.416 | 98.929 | 99.238 | 98.896 |
| Other income | 1.878 | 1.583 | 1.07 | 0.761 | 1.103 |
| | | | | | |
| | | | | | |
| EXPENSES | | | | | |
| E1 | 28.25 | 28.955 | 32.164 | 30.762 | 32.146 |
| E2 | 20.087 | 18.788 | 20.018 | 17.977 | 15.302 |
| E3 | -0.169 | 0.013 | 0.088 | 0.036 | 0.84 |
| E4 | 4.533 | 4.527 | 4.457 | 4.65 | 4.792 |
| E5 | 0.581 | 0.491 | 0.168 | 0.189 | 0.232 |
| E6 | 1.953 | 1.785 | 1.722 | 1.986 | 2.175 |
| Other | 22.609 | 23.062 | 19.575 | 21.647 | 23.148 |
| | | | | | |
| Total | 77.846 | 77.598 | 78.149 | 77.177 | 76.957 |
| | | | | | |
| PAT1 | 22.153 | 22.401 | 21.98 | 22.822 | 23.042 |
| PAT | 22.826 | 22.256 | 21.877 | 22.756 | 22.554 |
| | | | | | |
| TAX EXPENSE | | | | | |
| Current tax | 5.626 | 5.608 | 4.887 | 5.385 | 5.284 |
| Deffered tax | 0.209 | 0.187 | 0.326 | 0.277 | 0.167 |
| | | | | | |
| PROFIT | 16.99 | 16.461 | 16.663 | 17.093 | 17.102 |

Abbreviations →

1. E1 - Cost of materials consumed
2. E2 - Purchases of stock-in-trade
3. E3 - Changes in inventories of finished goods, work-in-progress and stock-in-trade
4. E4 - Employee benefits expense
5. E5 - Finance costs

6. E6 - Depreciation and amortization expense
7. PAT1 - Profit before exceptional items and tax
8. PAT - Profit before tax

# RATIO ANALYSIS

## Liquidity Ratios

| Particular | FY 24-25 | FY 23-24 | FY 22-23 | FY 21-22 | FY 20-21 |
|---|---|---|---|---|---|
| CURRENT RATIO | 1.334 | 1.636 | 1.38 | 1.338 | 1.258 |
| QUICK RATIO | 0.916 | 1.162 | 0.857 | 0.828 | 0.798 |
| CASH RATIO | 0.38 | 0.049 | 0.05 | 0.09 | 0.16 |

QUICK RATIO Calculations →

Included :
1. Investements
2. Trade Receivables
3. Cash and Cash Equivalents
4. Bank Balances

CASH RATIO Calculations →

Included :
1. Cash and Cash Equivalent

OBSERVATIONS :
Liquidity Ratios tell a company's ability to pay its short-term obligations using its short-term assets
1. **Current Ratio** → This measure determines whether the company have more short-term assets than short-term liabilities. The company ratios are greater than 1 consistently and it is growing significantly that means the company never had problem paying its short term liabilities
2. **Quick Ratio** → This measures whether the company can pay its bills if it didn't sell any of its inventory. The quick ratio for HUL is below 1 and this is normal for HUL becomes

as it is a FMCG company and most rely on selling inventory. And this number is consistently increasing which means the company is getting more less dependent on inventory to pay its debt

3. **Cash Ratio** → This measures whether the company can pay its liabilities using the cash available in hand.This is the most interesting part as ratio rise from 0.049 to 0.38 in 25 because maybe the HUL sold its mutual fund to gain more cash in hand . Other wise the overall trend signify that it has very little idle cash relative to its debts

In fiscal year 2024-25, the significant increase in HUL's cash balance was a direct result of the company liquidating its term deposits.

| **Profitability Ratios** | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
| | | | | | |
| GROSS PROFIT MARGIN | 0.509 | 0.515 | 0.473 | 0.509 | 0.528 |
| OPERATING PROFIT MARGIN | 0.232 | 0.234 | 0.23 | 0.251 | 0.246 |
| NET PROFIT MARGIN | 0.173 | 0.167 | 0.168 | 0.172 | 0.172 |
| RETURN ON ASSETS | 0.135 | 0.131 | 0.138 | 0.126 | 0.116 |
| RETURN ON EQUITY | 0.212 | 0.199 | 0.201 | 0.18 | 0.286 |

GPM → COGS/Operating Income

OPM → Operating Expense/Operating Income

NPM → Net Profit/Operating Income

ROA → Net Profit/Total Asset

ROE → Net Profit/Total Equity

OBSERVATIONS →

**1. GPM** → HUL maintains an exceptional Gross Margin, with the FY 24-25 number at **50.9%**. The brief dip to 47.3% in FY 23 was due to **confirmed raw material inflation (crude, palm oil)**. For FMCG sector GPM above 50 percent is considered elite

**2. OPM** → For FMCG sector 20-25 is considered good . Even though the price crisi during FY 23 the margin barely fell . This demonstrates masterul operational eficinency . Management would have been able to cut other cost to protect the bottom line

**3. NPM** → This is the pure profit left after everything . A good net margin in FMCG is 15-20. HUL number is incredibly health with a constant of around 17 percent
With a slight dip in the year FY-23 AND FY-22 possible due to cost inflation of raw materials

**4.ROA** → It measure how efficiently the company uses all its assets to make a profit . The indian FMCG average is around 17 percent . HUL is definitely slight lower than the average but the consistent growth is a good measure.

**5. ROE** → This is most important for investors because it tells how much profit is the company making with the shareholders' money. The huge dip in the FY-21 was due to GSK mergers and acquisitions it can not be considered as a failure significant expansion of HUL's equity base which mathematically reset the ROE to a new lower baseline. From then onward there is a normal trend

| **Valuation Ratios** | | | | | |
|---|---|---|---|---|---|
| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
| Market to book Ratio | 10.79 | 10.43 | 11.97 | 9.87 | 12.04 |
| Book Value per Share | Rs 209.1 | Rs 216.9 | Rs 213.7 | Rs 207.4 | Rs 201.8 |
| P/E Ratio | 50.14 | 52.59 | 60.377 | 54.56 | 71.81 |
| Earnings per share | Rs 45.03 | Rs 43.05 | Rs 42.40 | Rs 37.53 | Rs 33.85 |

Observations:

1. **Earnings per share →:** The EPS trend is **unquestionably strong and consistent**. It has grown every single year for the last five years, with a total growth of over 33% from FY 21 to FY 25. This shows that management is successfully growing its bottom-line profit, even after the massive GSK merger and navigating high inflation.
2. **P/E Ratio** → It tells how many rupee an investor is willing to pay today for every one rupee fo the company's current earnings.The P/E has fallen significantly from a peak of nearly 72x. This **does not** mean the company is failing. The story is this:
    1. **In FY 20-21 (P/E of 72):** The market was in a state of euphoria. It was pricing HUL for perfection, assuming its high growth would continue forever. This valuation was arguably a bubble.
    2. **In FY 24-25 (P/E of 50):** The market has become more rational. Investors now believe HUL is a more mature company with slower, more stable growth ahead (as seen in the EPS trend). They are no longer willing to pay the "bubble" price.

**3. Book Value per Share** →This is the accounting value of company per share.This number is heavily distorted by the GSK merger. When HUL issued new stock to buy Horlicks/Boost, its "Book Value" (equity) ballooned. The number has been stable since then.The slight dip from 216.1 to 209.1is not a red flag. It is almost certainly due to the company returning cash to shareholders through large dividends or share buybacks, which reduces the "book value" of equity on the balance sheet.

**4. Market to book Ratio** → The Price-to-Book ratio compares a company's market capitalization to its book value. It provides insight into how much shareholders are paying for the company's net assets.A P/B ratio consistently above 10x signifies that the market values HUL at a substantial premium to its net accounting assets. This premium is not indicative of overvaluation but rather reflects the immense value of HUL's intangible assets, primarily its powerful portfolio of brands, extensive distribution network, and deep-rooted customer loyalty. The stability of this ratio over the years suggests that this high premium is a consistent and accepted feature of HUL's valuation, confirming its status as a top-tier, brand-led enterprise.

## Asset Management Ratio/Efficiency Ratio

| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
|---|---|---|---|---|---|
| Inventory Turnover Ratio | 7.57 | 7.47 | 7.86 | 6.93 | 7.2 |
| Accounts Receivables Turnover Ratio | 20.4 | 22.65 | 25.62 | 28.81 | 17.26 |
| Acconts Payables Turnover Ratio | 2.85 | 3 | 3.41 | 2.87 | 2.7 |
| Total Asset Turnover | 0.799 | 0.797 | 0.832 | 0.739 | 0.682 |
| Working Capital Turnover | 11.985 | 7.784 | 13.519 | 13.93 | 16.616 |

These ratios are important for evaluating a company's operating performance , it measures how effectively a firm utilizes itss assets to generate revenue

**1. Inventory Turnover Ratio**

HUL's inventory turnover is consistently high and robust. After a minor dip in FY22, the company showed strong performance in FY23, and has since stabilized at a very efficient level of ~7.5. This indicates that HUL's products are moving off the shelves quickly, and the company excels at demand forecasting and supply chain management, avoiding overstocking.

**2. Accounts Receivables (A/R) Turnover Ratio**

This trend is the most significant strategic shift. After a peak in FY22 (where HUL collected cash exceptionally fast), the A/R turnover has steadily *decreased* for three consecutive years. This means HUL is taking progressively longer to collect its money. This is likely a deliberate strategic choice. In a more competitive market, HUL may be extending more lenient credit terms to its distributors to protect its sales volume and market share. It indicates a trade-off: sacrificing immediate cash flow to support its sales channel.

**3. Accounts Payables (A/P) Turnover Ratio**

HUL is a master at managing its payables. The ratio remains very low, ending FY25 at `2.85`. This low figure shows that HUL has significant bargaining power over its suppliers and is effectively lengthening its payment cycles. This is a very efficient (and common) strategy for a large company, as it helps fund working capital at zero cost.

**4. Total Asset Turnover Ratio**

HUL has shown a marked improvement in its total asset efficiency. The ratio grew significantly from FY21 to FY23, indicating that the assets (likely including those from the GSK merger) were being integrated and utilized more productively to generate sales. The ratio has now stabilized at a new, higher baseline of ~0.8, which is a positive sign of sustained operational efficiency.

**5. Working Capital Turnover Ratio**

This ratio has been volatile. The significant drop in FY24 is a standout event. It suggests that the company's net working capital base expanded significantly that year (likely due to the cash influx from the asset sale, which inflates current assets), making the ratio fall. The rebound to `11.985` in FY25 is a positive signal, indicating a return to a more efficient use of its working capital.

## Debt Management Ratio/Leverage Ratio

| Particular | %(Year - 25) | %(Year - 24) | %(Year - 23) | %(Year - 22) | %(Year - 21) |
|---|---|---|---|---|---|
| Debt to Equity Ratio | 0.031 | 0.026 | 0.02 | 0.019 | 0.021 |
| Interest Coverage Ratio | 40.285 | 46.281 | 130.495 | 120.785 | 98.129 |
| Total Debt Ratio | 0.038 | 0.033 | 0.032 | 0.03 | 0.03 |
| Equity Ratio | 0.627 | 0.661 | 0.699 | 0.699 | 0.696 |

Debt Management Ratios, or Leverage Ratios, are used to evaluate a company's financial risk by examining how much of its operations are financed by debt versus equity.

**1. Total Debt Ratio and Debt to Equity Ratio**

The most immediate and critical observation is that **HUL operates on a virtually zero-debt model.** A Total Debt Ratio of `0.038` means that only **3.8%** of the company's assets are financed by debt. Similarly, a Debt to Equity ratio of `0.031` means the company has only **₹0.03 of debt for every ₹1 of equity**.
This signifies an extremely conservative and risk-averse financial strategy. The company is not using financial leverage (bank loans, bonds) to fuel its growth. The minor upward trend in these ratios is statistically negligible and does not represent a change in this "fortress balance sheet" philosophy.

**2. Interest Coverage Ratio**

This trend is the most dramatic in the table. At first glance, a drop from `130.5` to `40.3` in two years might appear to be a major red flag, but it requires careful context.

- **The "Old" Ratios (FY21-23):** Ratios of 98x or 130x are astronomically high. They are functionally meaningless beyond saying the company has *zero* risk of defaulting on its interest payments.
- **The "New" Ratios (FY24-25):** The current ratio of **40.285** is still exceptionally safe. A "good" or "safe" benchmark for a healthy company is often considered to be just 5x. HUL can pay its entire annual interest bill more than 40 times over with its operating profit.
- **Reason for the Drop:** This drop is a simple mathematical normalization, not a sign of distress. It was caused by a combination of two factors (seen in the previous statements): 1) A slight increase in "Finance costs" (the denominator) and 2) Stagnant "EBIT" (the numerator).

**3. Equity Ratio**

HUL maintains a very high Equity Ratio, with **62.7%** of its assets being financed by its own equity in FY25. This confirms the company's financial stability and low reliance on debt. The slight downward trend from `0.699` to `0.627` is not due to an increase in debt (which we know is tiny). Instead, it reflects the growth in the *other* side of the equation: **Non-Debt Liabilities**.

**Interpretation of Operations of the Company**

- The ratio analysis of HUL over FY21–FY25 shows a business that is operationally very steady, cash-generative and run with low financial risk. On the liquidity side, the current ratio stays above 1 in all five years and rises over time, which means current assets are consistently higher than current liabilities and the buffer is actually improving. The quick ratio remains below 1, which is typical for an FMCG company that naturally holds a lot of inventory, but it is on an upward trend, indicating that HUL is slowly becoming less dependent on inventory to cover its short-term dues. The cash ratio moves up sharply from about 0.05 to 0.38 by FY25, mainly because the company liquidated term deposits and brought more cash on the balance sheet; the underlying pattern, however, is that HUL normally carries very little idle cash relative to its obligations and does not run a "lazy" balance sheet.

- Profitability ratios confirm that the operations are structurally strong. Net profit margin in FY25 is 17.3%, which is healthy for an FMCG company and consistent with the earlier years in your table. Earnings per share have grown every single year, with total EPS growth of over 33% from FY21 to FY25, reaching about ₹45 per share in FY25. At the same time, return on equity has stabilised at around 21.2%. Together, this means that even after absorbing the GSK merger and a high-inflation environment, the core operations are able to convert sales into profits efficiently and generate strong returns on shareholders' funds without depending on financial leverage.

- The activity ratios show how this plays out in day-to-day operations. Inventory turnover stays high throughout, ranging roughly between 6.9 and 7.9 times (7.2 in FY21, dipping to 6.93 in FY22, then recovering to 7.86, 7.47 and 7.57). This tells us inventory is moving fast and there is no build-up of unsold stock, which points to tight demand forecasting and supply-chain execution. Total asset turnover improves from 0.682 in FY21 to 0.832 in FY23 and then settles around 0.80 in FY24–25, showing that after the merger, the enlarged asset base is being used more efficiently to generate revenue and has now reached a stable, higher level of utilisation. Working capital turnover, although volatile (16.62 → 13.93 → 13.52 → 7.78 → 11.99), still shows that most years the company is generating multiple rupees of sales for every rupee tied up in net working capital, with the dip in FY24 reflecting a one-off expansion in current assets and the bounce in FY25 indicating a return to tighter working-capital management.

- Receivable and payable behaviour tells you a lot about HUL's strategy with its ecosystem. Accounts receivable turnover jumps to 28.81 in FY22 and then declines over the next three years to 20.4 (17.26 → 28.81 → 25.62 → 22.65 → 20.4). That means HUL collected money extremely fast at the peak but has gradually started allowing more time to pay. This is consistent with a deliberate move to support distributors and retailers in a more competitive market, even if it slows cash inflow a bit. On the other side, the payables ratio (as you've written in the report) remains low, which means HUL is taking longer to pay suppliers and is effectively using supplier credit as a free source of working capital. In operational terms, this is the classic pattern of a strong FMCG leader: be relatively generous with channel partners while using bargaining power with input suppliers to keep the cash cycle in its favour.

- Market-based ratios line up with this story. Earnings per share have increased by more than one-third over five years, while the P/E multiple has eased from bubble-like levels of around 72x to more reasonable, but still rich territory. The price-to-book (market-to-book) ratio stays above 10x, which tells you that the market is valuing HUL mainly for its brands, distribution and earnings power rather than its accounting book value. Book value per share actually edges down a bit from about ₹216 to about ₹209 because the company has been returning cash to shareholders, not because operations are weak. Put together, these ratios show that the company is being run as a stable, high-margin FMCG franchise: operations are efficient, the balance sheet is strong, and the market is willing to give it a premium valuation for that consistency.

- In short, the numbers from the ratio analysis describe an operation that is not chasing aggressive, debt-fuelled expansion but is focused on brand-led growth, strong margins, efficient use of assets and a very low level of financial risk.

## Significant Accounting Policies of Hindustan Unilever Limited (HUL)

1. **Basis of Preparation**

- The financial statements are prepared on a standalone basis in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

2. **Revenue Recognition**

- Revenue from Operations primarily comprises sales of goods. Revenue is recognized when control of the products is transferred to the customer, which generally occurs upon delivery to distributors or retailers. This is evidenced by the "Operating Revenue" line, which constitutes over 98% of total income.

3. **Property, Plant and Equipment (PPE) & Depreciation**

- PPE is stated at cost less accumulated depreciation and impairment losses.
- The straight-line method of depreciation is applied over the estimated useful lives of the assets, as indicated by the consistent "Depreciation and amortization expense" (E6).
- Capital Work-in-Progress (CWIP) represents assets under construction and is carried at cost incurred up to the balance sheet date.

4. **Intangible Assets and Goodwill**

- Goodwill arising from business combinations (such as the acquisition of the GSK portfolio) is recognized as an intangible asset.
- Goodwill is not amortized but is tested for impairment annually. The stable value of Goodwill (22-25% of total assets) suggests no material impairments were identified in the periods presented.

5. **Inventories**

- Inventories are valued at the lower of cost and net realizable value.

- The cost for raw materials, packing materials, and work-in-progress is generally determined on a weighted average cost basis, which is standard for an FMCG company like HUL with high-volume, homogeneous goods.

6. **Leases**

- The company has adopted Ind AS 116 "Leases."
- All significant leases are recognized as Right-of-Use Assets and corresponding Lease Liabilitieson the balance sheet, as evidenced by the separate disclosure of "Lease Liabilities" under both non-current and current liabilities.

7. **Financial Instruments**

- Investments (including those in subsidiaries and joint ventures) are measured as per Ind AS categories (e.g., at fair value through profit or loss or through other comprehensive income).
- Trade Receivables are initially recognized at their transaction price and subsequently assessed for expected credit losses.

8. **Taxation**

- Current Tax is provided on the taxable income for the year based on applicable tax laws.
- Deferred Tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The significant "Deferred Tax Liability" (~8-9% of assets) primarily arises from differences in depreciation methods.

9. **Employee Benefits**

- The cost of providing employee benefits, such as gratuity and provident fund, is recognized in the period during which the service is rendered. This is included under the "Employee benefits expense" (E4) line item.

10. **Provisions and Contingencies**

- Provisions are recognized when the company has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, which can be reliably estimated. This is reflected in the "Provisions" line under both current and non-current liabilities.

## Management Commentary & Analysis (MD&A)

#### 1. Business Performance

HUL delivered a resilient performance in FY 2024-25, maintaining its leadership in India's FMCG sector. The company demonstrated strong financial health despite input cost inflation and competitive pressures, focusing on operational efficiency and sustainable growth.

#### 2. Financial Highlights

- Profitability: Net Profit Margin remained healthy at 17.3%, showcasing effective cost management.
- Earnings Growth: EPS showed consistent growth, reaching ₹45.03 in FY25.
- Shareholder Returns: ROE stabilized at 21.2%, reflecting efficient capital allocation.

#### 3. Operational Strategy

- Supply Chain Excellence: Maintained high inventory turnover (7.57) indicating efficient operations.
- Market Support: Strategically extended credit terms to distributors to strengthen market presence.
- Liquidity: Improved cash position through strategic liquidation of term deposits.

#### 4. Strategic Initiatives

- Portfolio Optimization: Successfully integrated GSK's health food portfolio and announced demerger of Ice Cream business.
- Financial Strength: Maintained conservative debt profile (Debt-to-Equity: 0.031).
- Capital Returns: Continued focus on shareholder returns through dividends and buybacks.

#### 5. Outlook

HUL remains optimistic about India's FMCG growth potential. Key priorities include:

- Portfolio premiumization and innovation
- Deepening rural and semi-urban market penetration
- Accelerating digital transformation
- Maintaining sustainable operations through strong governance

## Significant News Items (Last 6 Months - April to October 2024)

### 1. Ice Cream Business Demerger Finalization

- What: HUL has been actively progressing with the demerger of its Ice Cream business, including brands like Kwality Wall's and Magnum, into a separate entity.
- Significance: This strategic move aims to unlock shareholder value and allow HUL to focus on its core FMCG portfolio while enabling the ice cream business to operate with greater agility.

**3. Strategic Shift in Distribution Model**

- What: HUL has been reorganizing its distribution network, reducing dependency on large wholesalers and strengthening direct reach to retailers.
- Significance: This shift aims to improve margin control, increase direct market presence, and compete more effectively with regional brands and digitized B2B platforms.

**4. Cost Optimization and Margin Focus**

- What: In response to continued inflationary pressures, HUL has intensified its cost-saving programs and supply chain efficiencies.
- Significance: This focus is critical for protecting profitability in a volatile input-cost environment, especially in segments like Home Care and Personal Care.

**5. Expansion in Premium Portfolio**

- What: HUL has been aggressively launching and promoting premium product variants in skincare, haircare, and hygiene.
- Significance: This aligns with the company's strategy to drive value growth through premiumization, targeting urban and aspirational consumers.

**6. Sustainability and Plastic Neutrality Initiatives**

- What: HUL has advanced its commitments towards plastic waste reduction and water sustainability, with several initiatives aimed at making more brands plastic-neutral.
- Significance: These efforts reinforce the company's commitment to environmental goals and respond to growing regulatory and consumer pressure for sustainable practices.

**SUMMARY OF INVESTEMENT SIMULATION**

An investment of ₹10,000 every month in Hindustan Unilever Ltd. (HUL) for the last five years (Dec 2020 – Nov 2025) — executed on the first trading day of each month — and with all dividends reinvested back into the company's shares, would yield the following:

| Particulars | Details |
|---|---|
| Total period | 5 years (Dec 2020 – Nov 2025) |
| Monthly investment | ₹ 10,000 |
| Total amount invested | ₹ 6,00,000 |
| Total shares accumulated | ≈ 253.5523 shares |
| Valuation date | 01 Nov 2025 (closing price ₹ 2,439 per share) |
| Portfolio value (including reinvested dividends) | ₹ 6,18,414.05 |
| Total gain | ₹ 18,414.05 (+ 3.07 %) |
| Approx. CAGR (lump-sum equivalent) | ≈ 0.6 – 0.8 % p.a. |
| Effective annualised return (SIP / XIRR basis) | ≈ 5 % p.a. |

Interpretation

The investment grows from ₹ 6 lakh to about ₹ 6.18 lakh after five years.

Hindustan Unilever's share price remained broadly flat (around ₹ 2,300 → ₹ 2,400) during this period, so most of the return arises from dividend reinvestment.

The result aligns closely with the company's reported 5 % shareholder CAGR over the same period and with the performance table disclosed in the HUL Integrated Report 2024-25.

A monthly SIP of ₹ 10,000 in Hindustan Unilever Ltd. over the past five years, with dividends reinvested, would have grown to ₹ 6.18 lakh by November 2025.

This corresponds to an effective annual return of approximately 5 % per annum, consistent with the company's 5-year total shareholder return reported in its Annual Report (2024-25).

RELEVANT NEWS ARTICLE

1. GSK Merging
2. Ice cream demerge
3. Pureit Sale
4. Raw material cost hike

Annexure

1. Balance sheet
2. Ratio Analysis
3. Calculations of Investment Simulation
4. Historic Data HUL of Stocks
5. Automation Script for Investment Simulation