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Kwality Wall's to be demerged, listed this fiscal year: HUL CFO

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NEW DELHI

Hindustan Unilever Ltd (HUL) is pushing ahead with the demerger and listing of its ₹1,800 crore ice cream business, Kwality Wall's (India) Ltd (KWIL), as part of a global separation move by parent Unilever PLC.

The process is slated to conclude by Q4FY26, and it will give Kwality Wall's India an independent identity, sharpen operational focus, and allow it to scale faster in the country's fast-growing but underpenetrated ice cream market, Ritesh Tiwari, chief financial officer at HUL, told *Mint* in an interview.

The standalone entity, with brands such as Kwality Wall's, Cornetto, and Magnum, will continue to grow in double-

digits over the coming years, he said.

Parent Unilever PLC had announced its demerger decision on 19 March 2024, citing that move will give Kwality Wall's India an independent identity and operational autonomy, in line with Unilever's view that ice cream operates under a distinct model with limited synergies with other segments.

Unilever said the move help it focus on its four core business groups: beauty & well-being, personal care, home care, and nutrition. Ice cream has a very different operating model, the company had said. The global separation is expected to be completed in the fourth quarter of 2025.

In India, HUL announced its demerger plans for Kwality Wall's in January this year.

The mode of separation will

be through a court-sanctioned scheme of demerger of the ice cream business, in which the plan is to do a mirror demerger, and then subsequently list the resulting company.

"We are doing a mirror demerger and listing; so every shareholder of Hindustan Unilever will get shares in Kwality Wall's and the share entitlement ratio is 1:1, which implies that for every 1 share held in HUL, the shareholders will get 1 share in Kwality Wall's (India) Ltd," Tiwari said. "We have about 12 lakh (1.2 million) shareholders in HUL, of this about 1.23 lakh (123,000) shareholders hold only 1 share of HUL, so the share entitlement ratio of 1:1 ensures that it is a fair process."

When the shares of Kwality Wall's India get listed, its valuation and share price will be determined through an inde-



Ritesh Tiwari, chief financial officer, HUL.

pendent price discovery process. Once listed, KWIL will have its independent board of directors and management team, including the chief executive and chief financial officers.

All related assets and liabilities, including the five manu-

facturing locations, a positive working capital, and net assets of over ₹900 crore, will be transferred to KWIL.

As part of the move, 1,200 employees will also be transferred to the new, soon-to-be-listed company.

The Unilever Group holds 61.9% of the issued and paid-up share capital of HUL. In an agreement earlier this year, The Magnum Ice Cream Co. agreed to acquire all the KWIL shares to be issued to the Unilever Group, which amounts to 61.9% of the new company's share capital, as a result of the demerger.

The demerger process has received preliminary approvals, with a shareholder meeting scheduled for 12 August.

According to Tiwari, the listing will help create a more focused entity capable of accelerating growth in India's ice cream market, which is estimated to grow to over \$5 billion by FY25 from \$3.4 billion in FY23.

The ice cream business has a "distinct business model", with limited synergies with the rest of HUL due to its separate go-to-market structure. It will

be independent from the very first day. "When we set up the company, on day one, we are equipping it with everything it needs. There are various things that determine a successful business being set up. First, of course, is the people and the management of KWIL; we will have an experienced team to run this business. Then brands and capabilities, including the entire IT infrastructure. The business will include brands, such as Kwality Wall's, Cornetto, and Magnum, which already have strong consumer traction, supported by a distribution network of over 2,50,000 cabinets, 20 warehouses, and 5 manufacturing

sites," said Tiwari.

Unilever sells five of the top 10 selling global ice cream brands, including Wall's, Magnum and Ben & Jerry's. The ice cream business is highly capital intensive, and Tiwari said that KWIL will be set up with "net positive assets" and not be burdened with loans.

"Today, the business has net assets—a little over ₹900 crore. These will be transferred to KWIL, as part of the demerger. On day one, the balance sheet will have its own working capital, which is positive working capital, so inventory and receivables will belong to them..." he added.

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The demerger process has received preliminary nod; a shareholders' meet is to be held on 12 August